

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Sanilac County	County Sanilac
Fiscal Year End 12/31/06	Opinion Date June 28, 2007	Date Audit Report Submitted to State June 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

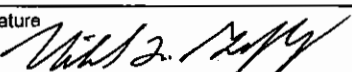
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Internal Control Letter attached to the financial statements	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (248) 844-2550	
Street Address 745 Barclay Circle, Suite 355		City Rochester Hills	State MI
Zip 48307			
Authorizing CPA Signature 	Printed Name Michael T. Gaffney, CPA	License Number 16288	

Sanilac County, Michigan

FINANCIAL STATEMENTS

December 31, 2006

Sanilac County, Michigan

December 31, 2006

BOARD OF COMMISSIONERS

John Merriman	Chairperson
Donald Hunt	Vice-Chairperson
Gary Russell	Commissioner
James Ruby	Commissioner
Norton Schramm	Commissioner
William Walters	Commissioner
Judy Vincent	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

John Males	Administrator
Kathy Dorman	Treasurer
Linda Kozfkay	Clerk
Michele VanNorman	Register of Deeds
Jim Bowerman	Drain Commissioner
Jim Young	Prosecuting Attorney
Virgil Strickler	Sheriff

Sanilac County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Sanilac County
Sandusky, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Sanilac County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sanilac County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Sanilac County, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2007 on our consideration of Sanilac County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control and financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanilac County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 28, 2007

County of Sanilac

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Sanilac County's (the County's) financial performance and position, providing an overview of the activities for the year ended December 31, 2006. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page 1 of this report, and with the County's financial statements, which follow this section. 2006 represents the fourth year the County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Certain limited financial information is presented with respect to the Sanilac County Road Commission in the Management Discussion and Analysis. The reader should refer to the Road Commission's separately issued financial statements for more detailed information.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets were \$14,944,350 (excluding component units). Of this amount, \$6,231,903 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors. The County's total net assets increased by \$1,532,929 (excluding component units) from the prior year.
- Governmental activities net assets were \$7,420,650, a net increase of \$540,249 from the prior year.
- Business-type activity net assets were \$7,523,700, a net increase of \$992,680 from the prior year.
- Component Unit net assets were \$63,297,902, a net increase of \$2,162,354 from the prior year.

Fund Level:

- At the close of the fiscal year, the County's governmental funds reported a combined ending fund balance of \$5,547,477, an increase of \$837,072 in comparison with the prior year. All but \$4,967,889 is reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$4,259 more in revenues and other financing sources than anticipated for the fiscal year. General Fund operations also expended \$837,169 less than appropriated.
- Overall, the General Fund balance decreased by \$122,209 to \$965,920 with \$839,833 undesignated or available for general purposes.

Capital and Long-term Debt Activities:

- The primary government issued \$135,056 in new capital leases for the fiscal year.
- The total long-term debt for the primary government was \$4,551,082 with a net addition of \$31,255 from the prior year.
- The Board of Public Works issued \$6,492,492 in new long-term bonds.
- The Drainage Districts issued \$120,500 in new long-term notes.
- The total long-term debt for the component units (Drainage Districts and Board of Public Works only) was \$18,696,091 with a net addition of \$5,347,144 from the prior year.
- The long-term debt for the Road Commission was \$784,595, with a net decrease of \$892,390 from the prior year.
- The County remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was \$429,245 and included items such as four police vehicles for the Sheriff's department, a truck for Animal Control, a truck for Construction and Land Use and a car for Friend of the Court.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the County consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and proprietary funds and other financial data.

Government-wide Financial Statements (Reporting the County as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the County as a whole, and about its activities. Their purpose is to assist in answering the question, is the County, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 14) presents all of the County's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the County's financial position is improving or deteriorating.

The Statement of Activities (page 15) presents information showing how the County's net assets changed during 2006. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the County's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the County's general government departments, law enforcement, the courts, the Board of Commissioner operations, and other countywide elected official operations are reported under these activities. This also includes the special revenue funds such as the Health Department and Sheriff Department Funds.
- ***Business-type Activities*** - These activities operate like private businesses. The County charges fees to recover the cost of the services provided. The Sanilac County Medical Care Facility Fund and the Delinquent Tax Funds are examples of these activities.
- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. Four organizations are included as component units: the Sanilac County Board of Public Works, the Sanilac County Road Commission, the Sanilac County Economic Development Corporation, and the Drainage Districts.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 18 and 21 present reconciliations between the two statement types.

County of Sanilac

Management's Discussion and Analysis

The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the County's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the County's Major Funds)

The fund financial statements, which begin on page 16, provide information on the County's significant (major) funds, and aggregated non-major funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as the Health Department and Child Care Fund; other funds are required by bond or grant agreements, such as the Friend of the Court Fund. Funds are also utilized to track specific operations; these include certain special revenue funds (e.g., Sheriff Department Fund), the internal services funds (e.g., Data Processing Fund, Health Insurance Fund) as well as enterprise funds (e.g., Medical Care Facility and Delinquent Tax Funds).

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for Sanilac County include the General Fund, the Health Department Fund, the Road Millage Fund, the Sheriff Department Fund, the Revenue Sharing Reserve Fund, the Drug Task Force Fund, the Medical Care Facility Fund, the Delinquent Tax Umbrella Fund, and the 2005 Delinquent Tax Fund. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type. The County includes detailed information on its non-major funds in the other supplementary information section of this report.

The County's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

County of Sanilac

Management's Discussion and Analysis

- **Governmental Funds** - Most of the County's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the County's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the County charges customers (whether outside the County structure or a County department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Medical Care Facility Fund. *Internal Service funds* report activities that provide supplies or service to the County's other operations, such as the Data Processing Fund. Internal Service funds are reported as governmental activities on the government-wide statements.
- **Fiduciary Funds** - The County acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The County's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Plan Net Assets on pages 15 and 16. These funds, which include trust and agency funds and the Pension Trust Fund, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the County to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 22 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As previously stated, Sanilac County's combined net assets were \$14,944,350 at the end of this fiscal year's operations. The net assets of the governmental activities were \$7,420,650; the business type activities were \$7,523,700.

County of Sanilac
Management's Discussion and Analysis

Sanilac County Net Assets FY ended 2005 and ended FY 2006

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Current Assets	\$ 13,496,043	\$ 12,778,849	\$ 5,230,897	\$ 6,632,380	\$ 18,726,940	\$ 19,411,229
Noncurrent Assets	<u>5,746,008</u>	<u>5,745,540</u>	<u>1,681,161</u>	<u>1,575,191</u>	<u>7,427,169</u>	<u>7,320,731</u>
Total Assets	<u>\$ 19,242,051</u>	<u>\$ 18,524,389</u>	<u>\$ 6,912,058</u>	<u>\$ 8,207,571</u>	<u>\$ 26,154,109</u>	<u>\$ 26,731,960</u>
Current Liabilities	\$ 8,738,492	\$ 6,974,156	\$ 275,737	\$ 574,839	\$ 8,570,945	\$ 7,548,995
Noncurrent Liabilities	<u>3,623,158</u>	<u>4,129,583</u>	<u>105,301</u>	<u>109,032</u>	<u>3,728,459</u>	<u>4,238,615</u>
Total Liabilities	<u>\$ 12,361,650</u>	<u>\$ 11,103,739</u>	<u>\$ 381,033</u>	<u>\$ 683,871</u>	<u>\$ 12,299,404</u>	<u>\$ 11,787,610</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 2,513,270	\$ 2,639,426	\$ 1,652,197	\$ 1,542,616	\$ 4,165,467	\$ 4,182,042
Restricted	3,441,802	4,530,405	-	-	3,441,802	4,530,405
Unrestricted	<u>925,329</u>	<u>250,819</u>	<u>4,878,823</u>	<u>5,981,084</u>	<u>5,804,152</u>	<u>6,231,903</u>
Total Net Assets	<u>\$ 6,880,401</u>	<u>\$ 7,420,650</u>	<u>\$ 6,531,020</u>	<u>\$ 7,523,700</u>	<u>\$ 13,411,421</u>	<u>\$ 14,944,350</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's net assets changed during the fiscal year:

Sanilac County's Changes in Net Assets for the Fiscal Year Ended December 31, 2005 and 2006

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Revenues						
Charges for Services	\$ 4,724,547	\$ 3,759,912	\$ 7,138,736	\$ 8,918,709	\$ 11,863,283	\$ 12,678,621
Grants and Contributions	5,164,343	3,594,019	-	-	5,163,343	3,594,019
General Revenues						
Property Taxes	10,802,246	11,423,822	-	-	10,802,246	11,423,822
Investment Earnings	180,114	306,428	89,139	120,150	269,253	426,578
Miscellaneous	<u>277,868</u>	<u>283,303</u>	<u>266,246</u>	<u>137,153</u>	<u>544,114</u>	<u>420,456</u>
Total Revenues	21,149,118	19,367,484	7,494,121	9,176,012	28,643,239	28,543,496
Expenses						
Legislative	89,416	90,964	-	-	89,416	90,964
General government	1,779,918	2,028,962	25,413	23,204	1,805,331	2,052,166
Public safety	4,834,601	5,616,552	-	-	4,834,601	5,616,552
Public works	2,522,675	2,637,613	-	-	2,522,675	2,637,613
Health and Welfare	5,247,277	5,353,418	7,003,416	7,969,906	12,250,693	13,323,324
Judicial	1,497,046	1,664,116	-	-	1,497,046	1,664,116
Recreation and cultural	659,719	659,710	-	-	659,719	659,710
Other	2,766,782	338,688	69,405	34,533	2,836,187	373,221
Unallocated depreciation	307,591	308,391	-	-	307,591	308,391
Interest on long-term debt	<u>135,938</u>	<u>128,821</u>	<u>-</u>	<u>-</u>	<u>135,938</u>	<u>128,821</u>
Total Expenses	<u>19,840,963</u>	<u>18,827,235</u>	<u>7,098,234</u>	<u>8,027,643</u>	<u>26,939,197</u>	<u>26,854,878</u>
Excess (deficiency)	1,308,155	540,249	395,887	1,148,369	1,704,042	1,688,618
Transfers	<u>194,177</u>	<u>-</u>	<u>(222,107)</u>	<u>(155,689)</u>	<u>(27,930)</u>	<u>(155,689)</u>
Increase in Net Assets	1,502,332	540,249	173,780	992,680	1,676,112	1,532,929
Net Assets - Beginning	5,378,069	6,880,401	6,357,240	6,531,020	11,735,309	13,411,421
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets - Ending	<u>\$ 6,880,401</u>	<u>\$ 7,420,650</u>	<u>\$ 6,531,020</u>	<u>\$ 7,523,700</u>	<u>\$ 13,411,421</u>	<u>\$ 14,944,350</u>

County of Sanilac

Management's Discussion and Analysis

Governmental Activities:

The result of 2006 governmental activity was an increase of \$540,249 in net assets to \$7,420,650. Of the total governmental activities' net assets, \$2,639,426 is invested in capital assets less related debt, \$4,530,405 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the County government. The balance of \$250,819 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were property taxes at 59% (increase of 8% from the prior year), charges for services at 19% (decrease of 3% from prior year), and grants and contributions at 18% (decrease of 6% from the prior year). The County levied nine property tax millages for the 2005 tax levy which is recognized as revenue in 2006, one being for general government operations at 4.0710 mills, which is not assigned to any particular activity, one for Council on Aging at .1984 mills, one for Ambulance services at .1984 mills, one for roads at 1.9065 mills, one for drug law enforcement at .4847 mills, one for parks at .1938 mills, one for county library services at .1984 mills, one for veterans services at .124 mills, and one Medical Care Facility maintenance of effort for .1984 mills. Grants and contributions are the second largest source of governmental activity revenue. Charges for services, which reimburse the County for specific activities, are the third largest source of governmental activity revenue. Examples include District Court fees and services, Clerk's Office filing fees, Register of Deeds filing fees, and inmate boarding charges.

Expenses:

Public Safety is the largest governmental activity, expending \$5.62 million (an increase of \$781,951 or 16%) and includes offices such as the Sheriff Department and Jail operations, Central Dispatch and Construction and Land Use activities. Health and Welfare is the second largest governmental activity, expending \$5.35 million (an increase of \$106,141 or 2%) of the \$19.37 million governmental activities total. Expenditures in this area include primarily Health Department, Child Care, Veterans, Transportation and Family Independence Agency operations.

Business-type Activities:

Net assets in business-type activities increased by \$992,680 during 2006. The vast majority of this increase was a result of excess revenues generated in the Delinquent Tax Funds and the Medical Care Facility Fund. Of the total business-type activities net assets, \$1,542,616 is invested in capital assets less related debt. The balance of \$5,981,084 of net assets in the business type activities is reported as unrestricted, having no legal commitment. However, it is important to note that although reported as unrestricted, many of these assets are anticipated to be designated through Board of Commissioners action to be spent on General Fund activities and self-funding of delinquent tax payments in future years.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NON MAJOR FUNDS

As the County completed 2006, its governmental funds reported *combined* fund balances of \$5,547,477. This is a net increase of \$837,072. The net changes are summarized in the following chart:

	General Fund	Road Millage	Health Department	Sheriff	(Revenue) Sharing Reserve	Drug Task Force	Other Non-Major Governmental Funds
Fund Balance 12/31/06	\$ 965,920	\$ 1,349	\$(478)	\$ -	\$ 2,669,871	\$ 74,380	\$1,836,435
Fund Balance 12/31/05	\$ 1,088,129	\$ -	\$ 15,986	\$ 24,901	\$ 1,885,109	\$ 49,767	\$1,646,513
Net Change	\$(122,209)	\$(1,349)	\$(16,464)	\$(24,901)	\$ 784,762	\$ 24,613	\$ 189,922

County of Sanilac

Management's Discussion and Analysis

The General Fund balance decreased by \$122,209; this is mainly due to charges for services revenue being less than budgeted by approximately \$100,000. The Health Department Fund balance decreased by \$16,464 mainly due to certain expenditures exceeding budget. The Road Millage Fund increased by \$1,349 from normal operations. The Sheriff Department Fund decreased by \$24,901 mainly due to expenditures being greater than budget. The Revenue Sharing Reserve Fund increased by \$784,762 due to recognizing one third of the County General Fund property tax levy, and transferring out the required amount to the General Fund to substitute for reductions in State Shared revenues. The Drug Task Force Fund increased by \$24,613 mainly due to expenditures being less than budget. The combined other non-major funds increased by \$189,922 due mainly to excess revenues generated from the Environmental Trust, Register of Deeds - Automation, U.S. Marshall, Maintenance of Effort and Parks and Recreation Funds.

General Fund:

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement or Board policy, all County revenues and expenditures are recorded in the General Fund. As of December 31, 2006, the General Fund reported a fund balance of \$965,920. This amount is a decrease of \$122,209 from the fund balance of \$1,088,129 reported as of December 31, 2005. Of the total fund balance, \$126,087 is reserved, designated or earmarked for specific purposes.

The General Fund 2006 revenues exceeded 2006 expenditures by \$4,978,761, however, the General Fund also supports the operations of other funds including the Sheriff Department, Central Dispatch, Health Department, Child Care, Friend of the Court, Law Library, and the ROD Automation Fund. The General Fund also supports the internal service fund activities with transfers made to the Workers Compensation Fund, Insurance Fund, Employee Health Care Fund, Data Processing Fund, Accumulated Benefits Fund, and Mail Department Fund, and also transfers funds to Building Authority funds for debt service requirements.

General Fund Budgetary Highlights:

Sanilac County's budget is a dynamic document. Although adopted in December (prior to the start of the year), the budget is frequently amended during the course of the year to reflect changing operational demands.

The County's General Fund revenue budget was increased by \$445,457 (4.3% above the original budget) during 2006. Actual General Fund revenue and other financing sources totaled \$10,819,393, \$4,259 more than the final amended budget. There were some variations in individual revenue accounts. Significantly, a portion of the variance totaling \$122,909 is due to year end recording of a MSHDA pass-through grant revenue that was not budgeted.

The County's expenditure budget was increased by \$569,095 (5.1% above the original budget) during 2006. Some of the more significant amendments were related to a decrease in the contingencies line item, and increase in anticipated transfer out to the Sheriff Fund.

Actual County expenditures for 2006 were \$837,170 below budget. This is due to several reasons, for which the most significant are listed below:

- \$371,831 in contingency funds not expended.
- \$122,909 more than budgeted for expenditures related to a pass-through grant that was not budgeted.
- Many departments' expenditures were under budget due to County cutbacks and general budget tightening.

County of Sanilac

Management's Discussion and Analysis

Road Millage Fund:

The Road Millage Fund is used to collect a dedicated tax levy for road projects. These funds are then transferred to the Road Commission (Component Unit) to be used for various road projects. As of December 31, 2006, the Road Millage Fund reported a fund balance of \$1,349, an increase of \$1,349 from the prior year.

Health Department Fund:

The Health Department Fund is used to report activities related to the various personal and environmental health services provided to County residents. Revenue is generated by Federal and State grant programs, charges for services, other local revenues and transfers from the General Fund. As of September 30, 2006, the Health Department Fund reported a fund deficit of \$478, which is a decrease to fund balance of \$16,464 from the prior year. Of the total fund deficit, \$41,578 is reserved for prepaid expenditures and \$9,786 is designated for specific purposes, which leaves an undesignated/unreserved deficit of \$(51,842).

Sheriff Fund

The Sheriff Fund is used to report activities related to the Sheriff Department and jail operations. These activities are financed by user charges, Federal and State grants, and other local revenues and transfers from the General Fund. As of December 31, 2006, the Sheriff Fund reported a fund balance of \$0, which is a decrease of \$24,901 from the prior year.

Revenue Sharing Reserve Fund

The Revenue Sharing Reserve Fund is used to account for a portion of the County General Fund property tax levy that has been set aside per State statute to offset reductions in State Revenue Sharing funds. Revenue is generated from County General Fund property taxes. As of December 31, 2006, the Revenue Sharing Reserve Fund reported a fund balance of \$2,669,871. The total fund balance is considered to be undesignated /unreserved.

Drug Task Force

The Drug Task Force Fund is used to report activities related to Drug Task Force operations. These activities are financed by taxes, interests and rents, fines and forfeitures, and other local revenues. As of December 31, 2006, the Drug Task Force Fund reported a fund balance of \$74,380, which is an increase of \$24,613 from the prior year. Of the total fund balance, \$3,626 is reserved for prepaid expenditures, which leaves an undesignated/unreserved fund balance of \$70,754.

County of Sanilac
Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2006, the County primary government had invested \$7,165,617, and \$59,029,804 for the component units, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$8,610,179 for the primary government, and \$39,628,801 for the component units. Depreciation charges for the fiscal year totaled \$670,859 for the primary government and \$4,208,913 for the component units.

	<u>Governmental Activities</u>		<u>Component Units Drains</u>		<u>Component Unit Road Commission</u>		<u>Total</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Land and improvements	\$ 274,297	\$ 326,813	\$ -	\$ -	\$ 66,903	\$ 66,903	\$ 341,200	\$ 393,716
Const. in progress	-	-	-	-	-	393,228	-	393,228
Buildings	10,669,816	10,759,367	-	-	429,111	430,666	11,098,927	11,190,033
Equipment	3,539,623	3,654,367	-	-	7,738,414	8,125,557	11,278,037	11,779,924
Infra-Bridges/Roads	-	-	-	-	62,164,852	64,961,567	62,164,852	64,961,567
Vehicles	930,816	1,035,249	-	-	-	-	930,816	1,035,249
Drains	-	-	24,440,234	24,625,234	-	-	24,440,234	24,625,234
Depletable assets	-	-	-	-	55,450	55,450	55,450	55,450
Accumulated depreciation	(8,138,886)	(8,610,179)	(10,211,790)	(11,032,831)	(25,719,069)	(28,595,970)	(44,069,745)	(48,238,980)
Capital assets, net	<u>\$ 7,275,666</u>	<u>\$ 7,165,617</u>	<u>\$ 14,228,444</u>	<u>\$ 13,592,403</u>	<u>\$ 44,735,661</u>	<u>\$ 45,437,401</u>	<u>\$ 66,239,771</u>	<u>\$ 66,195,421</u>

Long-term Debt - As of December 31, 2006, the County had \$4,551,082 in bonds, notes and other outstanding obligations for the primary government. This level of net obligation is \$31,255 more than the obligation recorded as of December 31, 2005. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Board of Public Works and Drainage District component unit debt. The Drain Commission administers debt for various local drainage districts and water and sewer systems for local municipalities in Sanilac County. All drain debt is payable out of assessments against the drainage districts, and all Board of Public Works debt is payable from contractual agreements with local units of government.

County of Sanilac
Management's Discussion and Analysis

Outstanding Debt as of December 31, 2006:

	<u>Restated</u> <u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2006</u>
Primary Government				
Governmental Activities				
Bonds Payable	\$ 3,131,983	\$ -	\$ 224,390	\$ 2,907,593
Pension liability	525,922	21,210	-	547,132
Capital leases	80,199	135,056	86,037	129,218
Accum. Vacation and sick	778,405	79,702	-	858,107
Business-type Activities				
Accum. Vacation and sick	<u>105,301</u>	<u>3,731</u>	<u>-</u>	<u>109,032</u>
Total Primary Government	4,621,810	239,699	310,427	4,551,082
Component Units				
Board of Public Works				
Water System Bonds	9,508,621	6,492,492	565,000	15,436,113
Drainage Districts				
Drain Bonds and Notes	3,726,119	120,500	586,641	3,259,978
Road Commission				
Capital leases	164,544	267,102	37,609	394,037
Accum. Vacation and sick	<u>497,114</u>	<u>178,380</u>	<u>284,936</u>	<u>390,558</u>
Economic Development Corp.				
Total Component Units	<u>13,896,398</u>	<u>7,058,474</u>	<u>1,474,186</u>	<u>19,480,686</u>
Total Reporting Entity	<u>\$18,518,208</u>	<u>\$7,298,173</u>	<u>\$1,784,613</u>	<u>\$ 24,031,768</u>
Debt Limit (10% of SEV)				\$202,493,011
Available Statutory Debt Limit				\$178,461,243

Activity for the Component Units (Drainage Districts) during 2006 included the issuance of \$120,500 in drainage district bonds and notes used to construct and/or improve various drainage projects.

A more detailed discussion of the County's long-term debt obligations is presented in Note H to the financial statements. The Road Commission's separately issued financial statements include details about their long-term debt.

Limitations on Debt:

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2006 was \$2,024,930,105; therefore the County's debt limitation was \$202,493,011. The County remains well below its legal debt limit by over \$178 million.

County of Sanilac

Management's Discussion and Analysis

SANILAC COUNTY GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing has been discontinued and may face additional cuts due to state budget problems.
- Other state and federal revenues and/or grants are being reduced.
- Property tax revenue is not rising as rapidly as in past years.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Utility costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2007. A usage of \$310,639 of the County's fund balance was included to balance the General Fund Budget. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE COUNTY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Sanilac County Treasurer's Office at (810) 648-2127 or Sanilac County Administration Office at (810) 648-2933.

BASIC FINANCIAL STATEMENTS

Sanilac County, Michigan

STATEMENT OF NET ASSETS

December 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,723,894	\$ 3,625,059	\$ 5,348,953	\$ 4,006,238
Investments	2,463,104	-	2,463,104	-
Receivables	8,219,662	2,969,557	11,189,219	5,086,855
Due from other funds	222,296	-	222,296	-
Due from primary government	-	-	-0-	197,648
Inventories	8,946	8,596	17,542	297,310
Prepaid expenses	140,947	29,168	170,115	30,116
Current portion of lease receivable	-	-	-0-	585,000
Total current assets	12,778,849	6,632,380	19,411,229	10,203,167
Non-current assets				
Restricted cash and cash equivalents	-	32,575	32,575	-
Lease receivable	-	-	-0-	14,851,113
Advance to component unit	122,539	-	122,539	-
Capital assets, net	5,623,001	1,542,616	7,165,617	59,029,804
Total non-current assets	5,745,540	1,575,191	7,320,731	73,880,917
TOTAL ASSETS	18,524,389	8,207,571	26,731,960	84,084,084
LIABILITIES				
Current liabilities				
Accounts payable	449,239	254,808	704,047	697,469
Other accrued liabilities	466,118	140,571	606,689	57,020
Due to other funds	-	142,388	142,388	-
Due to component units	197,648	-	197,648	-
Due to other governmental units	33,000	4,497	37,497	5,759
Deferred revenue	5,562,203	32,575	5,594,778	36,452
Line of credit	-	-	-0-	191,300
Current portion of long-term debt	265,948	-	265,948	-
Total current liabilities	6,974,156	574,839	7,548,995	988,000
Non-current liabilities				
Advances from primary government	-	-	-0-	122,539
Advance from other governments	-	-	-0-	189,957
Advance from other funds	6,717	-	6,717	-
Compensated absences	858,107	109,032	967,139	390,558
Pension obligation, net	547,132	-	547,132	-
Capital lease payable	29,424	-	29,424	394,037
Non-current portion of long-term debt	2,688,203	-	2,688,203	18,701,091
Total non-current liabilities	4,129,583	109,032	4,238,615	19,798,182
TOTAL LIABILITIES	11,103,739	683,871	11,787,610	20,786,182
NET ASSETS				
Invested in capital assets, net of related debt	2,639,426	1,542,616	4,182,042	55,375,789
Restricted for:				
Capital improvements	56,425	-	56,425	2,008,496
Debt service	193,671	-	193,671	4,372,548
Other purposes	4,280,309	-	4,280,309	1,661,400
Unrestricted	250,819	5,981,084	6,231,903	(120,331)
TOTAL NET ASSETS	\$ 7,420,650	\$ 7,523,700	\$14,944,350	\$63,297,902

See accompanying notes to financial statements.

Sanilac County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
Legislative	\$ 90,964	\$ -	\$ -	\$ -	\$ (90,964)	\$ -	\$ (90,964)	\$ -
Judicial	1,664,116	690,807	1,032,096	-	58,787	-	58,787	-
General government	2,028,962	632,564	109,103	-	(1,287,295)	-	(1,287,295)	-
Public safety	5,616,552	1,739,133	904,610	-	(2,972,809)	-	(2,972,809)	-
Public works	2,637,613	146,924	-	-	(2,490,689)	-	(2,490,689)	-
Health and welfare	5,353,418	251,259	1,548,210	-	(3,553,949)	-	(3,553,949)	-
Recreation and cultural	659,710	299,225	-	-	(360,485)	-	(360,485)	-
Other	338,688	-	-	-	(338,688)	-	(338,688)	-
Unallocated depreciation	308,391	-	-	-	(308,391)	-	(308,391)	-
Interest on long-term debt	128,821	-	-	-	(128,821)	-	(128,821)	-
Total governmental activities	18,827,235	3,759,912	3,594,019	-0-	(11,473,304)	-0-	(11,473,304)	-0-
Business-type activities:								
Medical Care Facility	7,969,906	8,335,998	-	-	-	366,092	366,092	-
Delinquent Tax Umbrella	356	3,103	-	-	-	2,747	2,747	-
Delinquent Tax 2005	22,848	190,241	-	-	-	167,393	167,393	-
Other	34,533	389,367	-	-	-	354,834	354,834	-
Total business-type activities	8,027,643	8,918,709	-0-	-0-	-0-	891,066	891,066	-0-
Total primary government	<u>\$ 26,854,878</u>	<u>\$ 12,678,621</u>	<u>\$ 3,594,019</u>	<u>\$ -0-</u>	<u>(11,473,304)</u>	<u>891,066</u>	<u>(10,582,238)</u>	<u>-0-</u>
Component units:								
Drainage Districts	957,613	(64,494)	27,194	-	-	-	-0-	(994,913)
Board of Public Works	8,112,429	-	8,112,430	-	-	-	-0-	1
Economic Development Corporation	664,991	10,761	218,489	-	-	-	-0-	(435,741)
Road Commission	9,696,496	1,211,515	6,932,128	307,506	-	-	-0-	(1,245,347)
Total component units	<u>\$ 19,431,529</u>	<u>\$ 1,157,782</u>	<u>\$ 15,290,241</u>	<u>\$ 307,506</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(2,676,000)</u>
		General revenues:						
		Property taxes			11,423,822	-	11,423,822	3,326,842
		State shared revenue			-	-	-	-
		Investment earnings			306,428	120,150	426,578	334,246
		Intergovernmental transfers (net)			52,899	-	52,899	-
		Gain on equipment disposals			-	-	-	7,268
		Miscellaneous			230,404	137,153	367,557	108,852
		Transfers			-	(155,689)	(155,689)	(42,881)
		Total general revenues and transfers			12,013,553	101,614	12,115,167	3,734,327
		Change in net assets			540,249	992,680	1,532,929	1,058,327
		Net assets restated, beginning of the year			6,880,401	6,531,020	13,411,421	62,154,707
		Prior period adjustments			-	-	-	84,868
		Net assets, end of the year			\$ 7,420,650	\$ 7,523,700	\$ 14,944,350	\$ 63,297,902

See accompanying notes to financial statements.

Sanilac County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2006

	General	Road Millage	Health Department (FYE 9-30-06)
ASSETS			
Cash and cash equivalents	\$ (1,229,485)	\$ -	\$ (180,922)
Investments	1,996,959	176,254	-
Accounts receivable	32,545	-	30,898
Taxes receivable - current	643,603	2,612,946	-
Taxes receivable - delinquent	26,600	9,547	-
Loans receivable	-	-	-
Due from other funds	40,028	-	79,908
Due from other governmental units	357,045	-	195,268
Prepayments	3,548	-	41,578
Advance to component unit	122,539	-	-
TOTAL ASSETS	\$ 1,993,382	\$ 2,798,747	\$ 166,730
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 89,175	\$ 133	\$ 39,274
Accrued payroll	35,499	-	38,028
Other accrued liabilities	136,354	-	89,906
Due to other funds	50,425	-	-
Due to other governmental units	-	-	-
Due to component units	197,648	-	-
Deferred revenue	518,361	2,797,265	-
TOTAL LIABILITIES	1,027,462	2,797,398	167,208
FUND EQUITY			
Fund balance			
Reserved for:			
Inventories and prepaids	3,548	-	41,578
Advances to component units and other funds	122,539	-	-
Debt service	-	-	-
Unreserved			
Designated for specific expenditures	-	-	9,786
Undesignated, reported in:			
General fund	839,833	-	-
Special revenue funds	-	1,349	(51,842)
Capital projects funds	-	-	-
TOTAL FUND BALANCES	965,920	1,349	(478)
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,993,382	\$ 2,798,747	\$ 166,730

See accompanying notes to financial statements.

Revenue Sharing Reserve	Sheriff	Drug Task Force	Other Non-major Governmental Funds	Total Governmental Funds
\$ 781,131	\$ 90,229	\$ 150,595	\$ 1,699,880	\$ 1,311,428
289,891	-	-	-	2,463,104
-	-	2,198	86,721	152,362
1,598,849	-	655,247	1,451,139	6,961,784
-	-	-	-	36,147
-	-	-	164,507	164,507
-	-	-	425	120,361
-	-	-	338,050	890,363
-	-	3,626	8,269	57,021
-	-	-	-	122,539
<u>\$ 2,669,871</u>	<u>\$ 90,229</u>	<u>\$ 811,666</u>	<u>\$ 3,748,991</u>	<u>\$ 12,279,616</u>
\$ -	\$ 39,734	\$ 23,826	\$ 134,855	\$ 326,997
-	50,495	11,257	30,230	165,509
-	-	-	684	226,944
-	-	3,271	1,635	55,331
-	-	-	33,000	33,000
-	-	-	-	197,648
-	-	698,932	1,712,152	5,726,710
-	90,229	737,286	1,912,556	6,732,139
-	-	3,626	8,269	57,021
-	-	-	-	122,539
-	-	-	193,671	193,671
-	-	-	196,571	206,357
-	-	-	-	839,833
2,669,871	-	70,754	1,381,499	4,071,631
-	-	-	56,425	56,425
<u>2,669,871</u>	<u>-</u>	<u>74,380</u>	<u>1,836,435</u>	<u>5,547,477</u>
<u>\$ 2,669,871</u>	<u>\$ 90,229</u>	<u>\$ 811,666</u>	<u>\$ 3,748,991</u>	<u>\$ 12,279,616</u>

Sanilac County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2006

Total fund balance - governmental funds **\$ 5,547,477**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	8,524,366	
Accumulated depreciation is	<u>(3,428,988)</u>	
Capital assets, net		5,095,378

Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	926,120
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Certain receivables are not susceptible to accrual in the Fund
Financial Statements due to not having met the criteria to be considered
available to finance current operations

Loans receivable	164,507
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Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Net pension obligation	(547,132)	
Direct County obligations	(2,907,593)	
Compensated absences	<u>(858,107)</u>	
		<u>(4,312,832)</u>

Net assets of governmental activities	<u><u>\$ 7,420,650</u></u>
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See accompanying notes to financial statements.

Sanilac County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	General	Road Millage	Health Department (FYE 9-30-06)
REVENUES			
Taxes	\$ 5,352,319	\$ 2,364,718	\$ -
Licenses and permits	409,669	-	141,317
Intergovernmental	992,317	-	1,321,262
Charges for services	2,411,568	-	326,612
Fines and forfeits	34,571	-	-
Interest and rents	300,332	24,848	-
Other	316,185	-	36,826
TOTAL REVENUES	9,816,961	2,389,566	1,826,017
EXPENDITURES			
Current			
Legislative	90,964	-	-
General government	2,040,150	-	-
Judicial	1,128,264	-	-
Public safety	639,600	-	-
Public works	200,772	2,387,446	-
Health and welfare	399,762	-	2,011,330
Recreation and culture	-	-	-
Other	338,688	-	-
Capital outlay	-	-	37,848
Debt Service			
Principal redemption	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	4,838,200	2,387,446	2,049,178
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,978,761	2,120	(223,161)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	959,551	-	206,697
Operating transfers out	(6,103,402)	(771)	-
Transfers from component unit	42,881	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(5,100,970)	(771)	206,697
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(122,209)	1,349	(16,464)
Fund balances, beginning of year	1,088,129	-	15,986
Fund balances, end of year	<u>\$ 965,920</u>	<u>\$ 1,349</u>	<u>\$ (478)</u>

See accompanying notes to financial statements.

Revenue Sharing Reserve	Sheriff	Drug Task Force	Other Non-major Governmental Funds	Total Governmental Funds
\$ 1,598,849	\$ -	\$ 599,998	\$ 1,395,829	\$ 11,311,713
-	-	-	26,235	577,221
-	68,264	-	2,142,386	4,524,229
-	-	-	1,073,660	3,811,840
-	-	-	11,836	46,407
13,420	-	11,889	313,986	664,475
-	-	100	206,321	559,432
1,612,269	68,264	611,987	5,170,253	21,495,317
-	-	-	-	90,964
-	-	-	-	2,040,150
-	-	-	535,852	1,664,116
-	3,134,800	574,215	1,267,937	5,616,552
-	-	-	49,395	2,637,613
-	-	-	2,942,326	5,353,418
-	-	-	659,710	659,710
-	-	-	-	338,688
-	-	-	55,616	93,464
-	-	-	224,389	224,389
-	-	-	128,821	128,821
-0-	3,134,800	574,215	5,864,046	18,847,885
1,612,269	(3,066,536)	37,772	(693,793)	2,647,432
-	3,058,256	40,227	1,193,804	5,458,535
(827,507)	(16,621)	(53,386)	(310,089)	(7,311,776)
-	-	-	-	42,881
(827,507)	3,041,635	(13,159)	883,715	(1,810,360)
784,762	(24,901)	24,613	189,922	837,072
1,885,109	24,901	49,767	1,646,513	4,710,405
\$ 2,669,871	\$ -	\$ 74,380	\$ 1,836,435	\$ 5,547,477

Sanilac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Net change in fund balances - total governmental funds **\$ 837,072**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	123,836	
Depreciation expense	<u>(308,391)</u>	
Excess of depreciation expense over capital outlay		(184,555)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net revenue from governmental activities accounted for in Internal Service Funds		(160,807)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in loans receivable		(104,521)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement		253,972
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in net pension obligation	(21,210)	
(Increase) in accrued compensated absences	<u>(79,702)</u>	
		<u>(100,912)</u>

Change in net assets of governmental activities		<u>\$ 540,249</u>
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See accompanying notes to financial statements.

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	Business-type Activities					Governmental Activities
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2005	Other Non-major Enterprise Funds	Total	Internal Service Funds
ASSETS						
Current assets						
Cash and cash equivalents	\$ 913,493	\$ 1,076,225	\$ 235,579	\$ 1,399,762	\$ 3,625,059	\$ 412,466
Taxes receivable - delinquent	-	14,493	1,354,637	325,440	1,694,570	-
Receivables	1,179,918	-	-	-	1,179,918	14,499
Inventory	8,596	-	-	-	8,596	8,946
Due from other funds	-	1,413,729	130	92	1,413,951	157,266
Due from other governmental units	-	50,520	24,952	19,597	95,069	-
Prepaid expenses	29,168	-	-	-	29,168	83,926
TOTAL CURRENT ASSETS	2,131,175	2,554,967	1,615,298	1,744,891	8,046,331	677,103
Restricted and other assets						
Cash and cash equivalents - restricted	32,575	-	-	-	32,575	-
Total restricted assets	32,575	-0-	-0-	-0-	32,575	-0-
Fixed assets						
Land	95,895	-	-	-	95,895	64,000
Buildings and improvements	3,806,968	-	-	-	3,806,968	141,733
Equipment	894,567	-	-	-	894,567	1,635,882
Vehicles	-	-	-	-	-0-	734,996
Less: accumulated depreciation	(3,254,814)	-	-	-	(3,254,814)	(2,048,988)
Net fixed assets	1,542,616	-0-	-0-	-0-	1,542,616	527,623
TOTAL ASSETS	3,706,366	2,554,967	1,615,298	1,744,891	9,621,522	1,204,726
LIABILITIES						
Current liabilities						
Accounts payable	254,808	-	-	-	254,808	122,242
Accrued payroll	87,920	-	-	-	87,920	20,430
Accrued liabilities	6,572	7,337	-	-	13,909	-
Due to other funds	-	233	1,148,410	407,696	1,556,339	-
Due to component units	-	-	-	-	-0-	-
Due to other governmental units	-	-	4,456	41	4,497	-
Payable from restricted assets	6,913	-	-	-	6,913	-
Deferred revenue	32,575	-	-	-	32,575	-
Security deposits payable	31,829	-	-	-	31,829	-
Total current liabilities	420,617	7,570	1,152,866	407,737	1,988,790	142,672
Other liabilities						
Capital leases payable	-	-	-	-	-0-	129,217
Accrued vacation and sick	109,032	-	-	-	109,032	-
Advances from other funds	-	-	-	-	-0-	6,717
TOTAL LIABILITIES	529,649	7,570	1,152,866	407,737	2,097,822	278,606
NET ASSETS						
Invested in capital assets, net of debt	1,542,616	-	-	-	1,542,616	398,406
Restricted	-	-	-	-	-	2,321
Unrestricted	1,634,101	2,547,397	462,432	1,337,154	5,981,084	525,393
TOTAL NET ASSETS	\$ 3,176,717	\$ 2,547,397	\$ 462,432	\$ 1,337,154	\$ 7,523,700	\$ 926,120

See accompanying notes to financial statements.

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2006

	Business-type Activities					Governmental Activities
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2005	Other Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 7,953,022	\$ -	\$ -	\$ -	\$ 7,953,022	\$ 243,917
Contractual adjustments/prior cost settlements	356,489	-	-	-	356,489	-
Interest on taxes	-	2,883	106,154	224,165	333,202	-
Sales	26,487	-	-	15,154	41,641	-
Administrative fees	-	220	84,087	150,048	234,355	-
Other	107,468	23,273	6,290	122	137,153	249,381
TOTAL OPERATING REVENUES	8,443,466	26,376	196,531	389,489	9,055,862	493,298
OPERATING EXPENSES						
Salaries	3,837,338	-	-	187	3,837,525	2,590
Fringe benefits	1,501,462	-	-	46	1,501,508	1,865,838
Contractual services	384,618	-	-	-	384,618	212,879
Supplies	771,539	-	-	9,015	780,554	289,818
Depreciation	206,813	-	-	-	206,813	155,654
Other	1,268,136	37	7,571	23,762	1,299,506	45,607
TOTAL OPERATING EXPENSES	7,969,906	37	7,571	33,010	8,010,524	2,572,386
OPERATING INCOME (LOSS)	473,560	26,339	188,960	356,479	1,045,338	(2,079,088)
NON-OPERATING REVENUES (EXPENSES)						
Interest revenue	21,047	52,407	12,949	33,747	120,150	-
Interest expense	-	(319)	(15,277)	(1,523)	(17,119)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	21,047	52,088	(2,328)	32,224	103,031	-
INCOME (LOSS) BEFORE TRANSFERS IN (OUT)	494,607	78,427	186,632	388,703	1,148,369	(2,079,088)
TRANSFERS IN (OUT)						
Operating transfers in	-	604,315	-	91,037	695,352	1,918,281
Operating transfers out	-	-	-	(851,041)	(851,041)	-
TOTAL TRANSFERS IN (OUT)	-0-	604,315	-0-	(760,004)	(155,689)	1,918,281
CHANGE IN NET ASSETS	494,607	682,742	186,632	(371,301)	992,680	(160,807)
Net assets, beginning of year	2,682,110	1,864,655	275,800	1,708,455	6,531,020	1,086,927
Net assets, end of year	<u>\$ 3,176,717</u>	<u>\$ 2,547,397</u>	<u>\$ 462,432</u>	<u>\$ 1,337,154</u>	<u>\$ 7,523,700</u>	<u>\$ 926,120</u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Business-type Activities		
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 8,369,971	\$ (32,738)	\$ 196,531
Cash paid to suppliers	(2,262,139)	176	(44,413)
Cash paid for employee benefits	(1,501,462)	-	-
Cash paid to employees	(3,808,909)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	797,461	(32,562)	152,118
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Interest expense	-	(319)	(15,277)
Transfers in	-	604,315	-
Transfers out	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-	603,996	(15,277)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital lease proceeds	-	-	-
Payments on capital leases	-	-	-
Capital acquisitions	(97,232)	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(97,232)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	21,047	52,407	12,949
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	721,276	623,841	149,790
Cash and cash equivalents, beginning of year	224,792	452,384	85,789
Cash and cash equivalents, end of year	<u>\$ 946,068</u>	<u>\$ 1,076,225</u>	<u>\$ 235,579</u>

See accompanying notes to financial statements.

Other Non-major Enterprise Funds	Total	Governmental Activities
		Internal Service Funds
\$ 1,459,867	\$ 9,993,631	\$ 358,371
(1,264,479)	(3,570,855)	(461,464)
-	(1,501,462)	(1,865,838)
(187)	(3,809,096)	24,557
195,201	1,112,218	(1,944,374)
(1,523)	(17,119)	-
91,037	695,352	1,918,281
(851,041)	(851,041)	-
(761,527)	(172,808)	1,918,281
-	-	135,056
-	-	(86,037)
-	(97,232)	(208,176)
-	(97,232)	(159,157)
33,747	120,150	-
(532,579)	962,328	(185,250)
1,932,341	2,695,306	597,716
<u>\$ 1,399,762</u>	<u>\$ 3,657,634</u>	<u>\$ 412,466</u>

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2005

	Business-type Activities		
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2004
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 473,560	\$ 26,339	\$ 188,960
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation	206,813	-	-
(Increase) Decrease in receivables	(77,106)	(59,114)	(1,189,708)
(Increase) Decrease in prepaids and inventory	3,548	-	-
Increase (decrease) in accounts payable	158,606	-	-
Increase (decrease) in deferred revenue	3,611	-	-
Increase (decrease) in due to other governments	-	-	1,152,866
Increase (decrease) in accrued liabilities	28,429	213	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 797,461</u>	<u>\$ (32,562)</u>	<u>\$ 152,118</u>

Other Non-major Enterprise Funds	Total	Governmental Activities
		Internal Service Funds
\$ 356,479	\$ 1,045,338	\$ (2,079,088)
-	206,813	155,654
1,070,378	(255,550)	(134,927)
-	3,548	(4,431)
-	158,606	91,271
-	3,611	-
(749,240)	403,626	27,147
(482,416)	(453,774)	-
<u>\$ 195,201</u>	<u>\$ 1,112,218</u>	<u>\$ (1,944,374)</u>

Sanilac County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	Agency Funds	Pension Trust Fund
ASSETS		
Cash and cash equivalents	\$ 286,148	\$ 247,055
Investments	-	30,545,123
Accrued interest receivable	-	183,591
Due from other funds	136,273	81,201
Due from other governments	-	148,587
TOTAL ASSETS	\$ 422,421	\$ 31,205,557
LIABILITIES		
Accounts payable	\$ -	\$ 4,469
Undistributed collections	190,007	-
Due to other funds	27,791	53
Due to other governmental units	103,599	-
Due to individuals and agencies	101,024	-
TOTAL LIABILITIES	\$ 422,421	\$ 4,522
NET ASSETS		
Held in trust for pension benefits		\$ 31,201,035

See accompanying notes to financial statements.

Sanilac County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2006

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 1,135,546
Net increase in fair value of investments	1,374,253
Less investment expenses	<u>(246,760)</u>
Net investment income	2,263,039
Contributions	
Employer	
Mental Health	449,950
Other	1,344,526
Employees	<u>264,819</u>
Total contributions	2,059,295
Other revenue	<u>3,974</u>
TOTAL ADDITIONS	4,326,308
DEDUCTIONS	
Benefit payments	1,191,095
Refunds of contributions	68,497
Administrative expenses	<u>3,162</u>
TOTAL DEDUCTIONS	<u>1,262,754</u>
CHANGE IN NET ASSETS	3,063,554
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>28,137,481</u>
End of year	<u>\$ 31,201,035</u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2006

	Board of Public Works	Road Commission	Drainage Districts
ASSETS			
Cash and cash equivalents	\$ 20,088	1,168,286	\$ 2,778,198
Special assessments receivable	-	-	3,507,711
Accounts receivable	-	8,310	-
Due from other governmental units	570,861	932,218	-
Inventory	-	297,310	-
Prepaid expenses	-	30,116	-
Due from other funds	-	-	102,796
Due from primary government	-	-	197,648
Leases receivable	15,436,113	-	-
Capital assets (net of accumulated depreciation)	-	45,437,401	13,592,403
TOTAL ASSETS	16,027,062	47,873,641	20,178,756
LIABILITIES			
Accounts payable	570,861	126,546	62
Accrued liabilities	-	57,020	-
Compensated absences	-	390,558	-
Deferred revenue	-	-	-
Lease purchases payable	-	394,037	-
Due to other funds	-	-	102,796
Notes, bonds, and loans payable	15,436,113	5,000	3,259,978
Due to other governmental units	-	5,759	-
Line of credit	-	-	-
Advances from other governmental units	-	189,957	-
Advances from primary government	-	-	122,539
TOTAL LIABILITIES	16,006,974	1,168,877	3,485,375
NET ASSETS			
Invested in capital assets, net of related debt	-	45,043,364	10,332,425
Restricted for other purposes	-	1,661,400	-
Reserved for debt service	1,534	-	4,371,014
Unrestricted			
Designated for capital expenditures	18,554	-	1,989,942
Undesignated	-	-	-
TOTAL NET ASSETS	\$ 20,088	\$ 46,704,764	\$ 16,693,381

Economic Development Corporation	Total Component Units
\$ 39,666	\$ 4,006,238
-	3,507,711
-	8,310
67,755	1,570,834
-	297,310
-	30,116
-	102,796
-	197,648
-	15,436,113
-	59,029,804
107,421	84,186,880
-	697,469
-	57,020
-	390,558
36,452	36,452
-	394,037
-	102,796
-	18,701,091
-	5,759
191,300	191,300
-	189,957
-	122,539
227,752	20,888,978
-	55,375,789
-	1,661,400
-	4,372,548
-	2,008,496
(120,331)	(120,331)
<u>\$ (120,331)</u>	<u>\$ 63,297,902</u>

Sanilac County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Drainage Districts	\$ 957,613	(64,494)	27,194	\$ -	\$ (994,913)
Board of Public Works	8,112,429	-	8,112,430	-	1
Economic Development Corp.	664,991	10,761	218,489	-	(435,741)
Road Commission	9,696,496	1,211,515	6,932,128	307,506	(1,245,347)
TOTALS	\$ 19,431,529	\$ 1,157,782	\$ 15,290,241	\$ 307,506	(2,676,000)
General revenues					
Taxes					3,326,842
Investment earnings					334,246
Miscellaneous					108,852
Gain on equipment disposal					7,268
Transfers to primary government - net					(42,881)
Total general revenues and transfers					3,734,327
CHANGE IN NET ASSETS					1,058,327
Restated net assets, beginning of year					62,154,707
Prior period adjustments					84,868
Net assets, end of year					<u>\$ 63,297,902</u>

See accompanying notes to financial statements.

Sanilac County, Michigan
Component Unit Fiduciary Fund - Road Commission

STATEMENT OF NET ASSETS

December 31, 2006

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 30,543
Investments	<u>4,588,904</u>
TOTAL ASSETS	<u>\$ 4,619,447</u>
 NET ASSETS	
Held in trust for pension benefits	<u>\$ 4,619,447</u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Component Unit Pension Trust Fund - Road Commission

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2006

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 233,845
Net increase in fair value of investments	<u>383,626</u>
Net investment income	617,471
Contributions	
Employer	<u>194,884</u>
TOTAL ADDITIONS	812,355
DEDUCTIONS	
Benefit payments	<u>(162,025)</u>
CHANGE IN NET ASSETS	650,330
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>3,969,117</u>
End of year	<u>\$ 4,619,447</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Sanilac, Michigan was incorporated in 1820, and covers an area of approximately 961 square miles with the County seat located in the City of Sandusky. The County operates under an elected Board of Commissioners and provides services to its more than 44,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County does not apply the Financial Accounting Standards Board's Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Sanilac County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance part of the County's operations so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Unit

The Sanilac County Building Authority is governed by a four (4) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Sanilac County Building Authority is reported as if it were part of the (blended) primary government because its sole purpose is to finance and construct the County's public buildings.

The financial statements of the Sanilac County Health Department (primary government Special Revenue Fund) are reported on the fiscal year ended September 30, 2006.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Sanilac County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Sanilac County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Sanilac County Road Commission maintains local, state, and federal trunklines within Sanilac County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local governmental units within the County. The three (3) member Board of Road Commissioners are elected by the residents of the County. The Road Commission is financially accountable to the County due to all general long-term debt issuances excluding capital lease purchase agreements require County authorization. This component unit is audited individually and financial statements are issued under separate cover.

The financial statements of the Sanilac County Road Commission may be obtained from the administrative office of the Road Commission located at 35 N. Flynn Street, Sandusky, MI 48471.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Sanilac County Board of Public Works (BPW) is a seven (7) member Board comprised of the Drain Commissioner and six (6) members appointed by the County Board of Commissioners. The BPW Board establishes policy and reviews operations of the BPW for the County Board of Commissioners. The BPW can acquire, improve, operate, and maintain water and sewage disposal systems for local units of government and has the responsibility of administering the various local unit public works construction projects and the associated debt service funds under the provision of Act 185 of the Public Acts of 1957. The Board of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

The Sanilac County Drainage Districts come under the jurisdiction of the Sanilac County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$150,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Local Audit and Finance division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$150,000 require County authorization and are backed by the full faith and credit of the County.

The Sanilac County Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a thirteen (13) person Board of Directors appointed by the County Board of Commissioners. The EDC may not issue debt without the County's approval and administers Federal economic development grant money which is received by the County.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are described as follows:

GOVERNMENTAL FUNDS

- a. General Fund - The General Fund is the primary operating fund of the County. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

GOVERNMENTAL FUNDS - CONTINUED

- b. Health Department Fund - The Health Department Fund is used to report activities related to various personal and environmental health services provided to County residents. These activities are financed primarily by Federal and State grants, user charges and other local revenues.
- c. Road Millage Fund - The Road Millage Fund is used to account for the collection of a dedicated tax levy and transfers of funds to the Road Commission related to road projects.
- d. Sheriff Fund - The Sheriff Fund is used to report activities related to the Sheriff department and jail operations. These activities are financed by user charges, Federal and State grants, and other local revenues that are initially reported in the General Fund and then are transferred through a County appropriation to this fund.
- e. Revenue Sharing Reserve Fund - The Revenue Sharing Reserve Fund is used to account for a portion of the County General Fund property tax levy that has been set aside per State statute to offset reductions in State Revenue Sharing funds. Transfers are made from this fund to the General Fund to replace the State Revenue Sharing funds that have been reduced.
- f. Drug Task Force Fund - The Drug Task Force Fund is used to report activities related to Drug Task Force operations. These activities are financed by taxes, interest and rents, fines and forfeitures, and other local revenues.

PROPRIETARY FUNDS

- a. Medical Care Facility Fund - The Medical Care Facility Fund is used to report activities related to providing long-term care services to County residents. These activities are financed primarily by user charges (Medicaid, Medicare, private, etc.).
- b. Delinquent Tax Umbrella Fund - The Delinquent Tax Umbrella Fund is used to account for money advanced by the County to other local taxing units and various County funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties and interest.
- c. Delinquent Tax 2005 Fund - The Delinquent Tax 2005 Fund is used to account for money advanced by the County to other local taxing units and various County funds to pay for their 2005 delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties and interest.

5. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

7. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, money markets and investment trust funds with an original maturity of 90 days or less. The investment trust funds have the general characteristics of demand deposit accounts in that the County may deposit and withdraw additional cash at any time without prior notice or penalty.

8. Investments

Investments are reported at fair value. Investments consist of various Pension Fund securities (i.e., U.S. government securities, mortgage backed securities, American depository receipts, corporate bonds, common stock, foreign stocks and bonds) and certificates of deposit with an original maturity of over 90 days. The difference between aggregate fair value and the cost of investments along with realized gains and losses on sales of investments are reflected in the statement of changes in Plan Net Assets as net appreciation or depreciation in the fair value of investments.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services. Where appropriate, the estimated portion that is expected to be uncollectible is represented as an allowance for doubtful accounts.

10. Inventories

The cost of inventory items in the primary government governmental funds is recorded as an expenditure at the time of purchase.

Inventories in the Component Unit Road Commission governmental fund consists of various road construction and maintenance supplies and materials. These items are valued at cost determined on the average cost and specific identification methods.

11. Prepaid Expenditures

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenditures.

12. Restricted Assets

Certain revenues and resources in the proprietary fund types are classified as restricted assets on the balance sheet because their use is limited. The restricted assets of the County reported in the Medical Care Facility Fund represent accumulated restricted donations and patient trust deposits.

13. Lease Receivable

The County has irrevocably pledged its full faith and credit as collateral for certain water and sewer system bonds. These projects are administered by the Sanilac County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds. All future amounts due for bond principal and an additional amount for the amount of accrued interest payable has been recorded as a lease receivable at the government-wide level based on guidance from MCGAA Statement 10, as amended. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations and amounts to be collected subsequently which have been reported as noncurrent.

14. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. All drain infrastructure other than routine maintenance is capitalized retroactively back to June 30, 1980 as required by GASB Statement No. 34.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Capital Assets - continued

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	25 - 40 years
Vehicles and equipment	5 - 15 years
Drain infrastructure	30 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, plant, equipment, infrastructure assets, (e.g., roads, bridges and similar items) are reported under governmental activities within the operating fund in the government-wide financial statements. Capital assets are defined by the Sanilac County Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation is computed on the sum-of-the-years digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	10 years
Engineering Equipment	4 - 10 years
Office Equipment	4 - 10 years
Infrastructure - Roads	5 - 30 years
Infrastructure - Bridges	12 - 50 years

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2006, including related payroll taxes, is recorded in the government-wide financial statements for the Primary Government and Component Units.

NOTES TO FINANCIAL STATEMENTS

December 31 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Deferred Revenue

Deferred revenue consists of amounts related to long-term special assessment tax receivables, December 2006 current tax levy receivables, and various grant revenues recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

18. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers, except that pension contributions, recorded as revenue in the Pension Trust Fund, represent remittances of required amounts from the County and employees pursuant to pension plan agreements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund provides administrative services to various funds. Amounts charged to the other funds for these services are based on the County's cost allocation plan and are treated as miscellaneous revenues in the General Fund and as operating expenditures/expenses in the other funds.

Internal Service Funds are used to record charges for services to all County departments and funds as operating transfers or operating revenues. All County funds record these payments to the Internal Service Funds as operating transfers or operating expenditures/expenses.

19. Contractual Adjustments

The County records all charges for services of the primary government Medical Care Facility (Enterprise) Fund as gross charges. However, because most of the intermediaries reimburse the facilities at something less than gross charges, the underrealization of charges are recorded as contractual adjustments and deducted from gross charges as a reduction in operating income.

20. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results.

The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds. For control purposes, all funds' budgets are maintained at the activity and account level. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were material in relation to the original appropriations that were adopted.

21. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

22. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes a pooled cash account for numerous funds. The County's pooled cash is utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, (except for the Delinquent Tax Revolving Funds), Trust and Agency Funds, and Component Unit Funds. Each fund's portion of this pooled account is included in the cash and cash equivalents caption on the applicable balance sheet/statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and investment trust funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or Sanilac office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association, or government national mortgage association.

As of December 31, 2006, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 422,653	\$ 928,073
Savings and money market accounts	10,908,607	10,910,067
Certificates of deposit	<u>1,652,044</u>	<u>1,651,436</u>
TOTAL PRIMARY GOVERNMENT	12,983,304	13,489,576
COMPONENT UNITS		
Checking	<u>1,207,805</u>	<u>1,495,905</u>
TOTAL REPORTING ENTITY	<u>\$14,191,109</u>	<u>\$14,985,481</u>

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2006, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$1,548,069 and the amount of \$13,437,412 was uninsured and uncollateralized.

As of December 31, 2006, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount/ Fair Value</u>
PRIMARY GOVERNMENT	
Insured or registered for which the securities are held by the County's agent not in the County's name	
U.S. Government securities	\$ 4,496,412
Uninsured and unregistered for which the securities are held by the counterparty, or by the counterparty's trust department or agent, but not in the County's name	
Mortgage backed securities	572,621
American depository receipts	359,627
Corporate bonds	6,638,767
Common stock	14,929,922
Foreign stock	762,602
Uncategorized pooled investment funds	<u>975,066</u>
Total primary government	<u>28,735,017</u>
COMPONENT UNITS	
Uncategorized pooled investment funds	
Road Commission	
Pension Trust	<u>4,619,447</u>
TOTAL REPORTING ENTITY	<u><u>\$ 33,354,464</u></u>

The categorized investments listed above were purchased for the County employee's Pension Trust Fund. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types.

The uncategorized pooled investments listed above represent surplus funds invested under trust agreements with banks. The surplus funds are pooled with surplus funds of other local units of government, which the banks invest and hold in trust. Separate accounts designated by the County's name and number are maintained by the trustee banks. The nature of these investments do not allow for risk categorization, which is in accordance with GASB Statement #3.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the applicable balance sheet/statement of net assets based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2006:

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,348,953	\$ 4,006,238	\$ 563,746	\$ 9,918,937
Cash and cash equivalents - Restricted	32,575	-	-	32,575
Investments	<u>2,463,104</u>	<u>-</u>	<u>35,134,027</u>	<u>37,597,131</u>
	<u>\$ 7,844,632</u>	<u>\$ 4,006,238</u>	<u>\$ 35,697,773</u>	<u>\$ 47,548,643</u>

The primary government cash and cash equivalents reported amounts are different than the book and bank balance analysis by \$7,422 due to the Health Department (Special Revenue Fund) being reported in the financial statements as of September 30, 2006, but in the analysis above as of December 31, 2006. The primary government cash and cash equivalents caption on the applicable balance sheet/statement of net assets also include \$10,442 in imprest cash. The component unit cash and cash equivalents caption on the applicable balance sheet /statement of net assets includes \$50 in imprest cash.

NOTE C: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for various funds. Cash overdrafts of individual funds as of December 31, 2006, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$(1,500,052)	\$ 270,567	\$(1,229,485)
Special Revenue Funds			
Friend of the Court	(63,059)	100	(62,959)
Health Department	(180,892)	(30)	(180,922)
Veterans Millage	(4,715)	29,157	24,442
Register of Deeds - Automation	(6,580)	92,493	85,913
Drug Law Enforcement	(39,926)	129,015	89,089
C.O.P.S	(2,835)	-	(2,835)
Secondary Road Patrol	(48,339)	-	(48,339)
Contractual Road Patrol	(21,893)	-	(21,893)
Crime Victims Rights	(11,719)	-	(11,719)
Remonumentation Program	(40,160)	-	(40,160)
Revolving Loan	(12,893)	439,714	426,821
Great Parents	(4,693)	55	(4,638)
Child Care	(20,459)	161,233	140,774
Parks	(24,268)	165,177	140,909
Enterprise Funds			
Medical Care Facility	<u>(36,034)</u>	<u>949,527</u>	<u>913,493</u>
TOTAL PRIMARY GOVERNMENT	(2,018,517)	2,237,008	218,491
COMPONENT UNITS			
Drainage Districts			
Maintenance Revolving Drain	<u>(119,226)</u>	<u>1,442,120</u>	<u>1,322,894</u>
TOTAL COMPONENT UNIT	(119,226)	1,442,120	1,322,894
TOTAL REPORTING ENTITY	\$(2,137,743)	\$ 3,679,128	\$ 1,541,385

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

In the government-wide Statement of Net Assets, all interfund receivables and payables between individual governmental funds, business type funds, and components unit funds have been eliminated. The following schedule details the remaining interfund receivables and payables at December 31, 2006:

	<u>Interfund Receivable</u>		<u>Interfund Fund Payable</u>
PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
Due from other funds		Due to other funds	\$ -
Governmental Activities			
Health Department	\$ 79,908		
General Fund	40,028		
Other non-major funds	103,404		
		Business-type Activities	
		Other non-major funds	143,432
Totals Primary Government	<u>\$ 223,340</u>		<u>\$ 143,432</u>
COMPONENT UNITS		PRIMARY GOVERNMENT	
Due from Primary Government		Due to Component Units	
Drainage Districts	\$ 197,648	Governmental Activities	
		General Fund	\$ 197,648
Totals Component Units	<u>\$ 197,648</u>		<u>\$ 197,648</u>
PRIMARY GOVERNMENT		COMPONENT UNITS	
Advances to Component Units		Advances from primary government	
General Fund	\$ 122,539	Drainage Districts	\$ 122,539

The difference of \$79,908 in the due from other funds and due to other fund balances in the Primary Government area is due to the Health Department Fund being reported as of September 30, 2006, and the other funds being reported as of December 31, 2006.

NOTE E: INTERFUND TRANSFERS

Reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the government-wide Statement of Activities, all interfund transfers between individual governmental funds, business type funds, and component unit funds have been eliminated.

<u>Fund</u>	<u>Primary Government</u>		<u>Component Units</u>			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers from Component Units</u>	<u>Transfers to Primary Government</u>	<u>Transfers from Primary Government</u>	<u>Transfers to Component Units</u>
Primary Government						
General Funds	\$ 959,551	\$ 6,103,402	\$ 42,881	\$ -	\$ -	\$ -
Health Department	206,697	-	-	-	-	-
Road Millage	-	771	-	-	-	-
Sheriff	3,058,256	16,621	-	-	-	-

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE E: INTERFUND TRANSFERS - CONTINUED

Fund	Primary Government		Component Units			
	Transfers In	Transfers Out	Transfers from Component Units	Transfers to Primary Government	Transfers from Primary Government	Transfers to Component Units
Primary Government - continued						
Revenue Sharing Reserve	\$ -	\$ 827,507	\$ -	\$ -	\$ -	\$ -
Non-major governmental funds	1,193,804	310,089	-	-	-	-
Internal Service Funds	1,918,281	-	-	-	-	-
Delinquent Tax Umbrella	604,315	-	-	-	-	-
Non-major business-type funds	91,037	851,041	-	-	-	-
Component Units						
Drainage Districts	-	-	1,083,075	42,881	-	1,083,075
	<u>\$ 8,031,941</u>	<u>\$ 8,109,431</u>	<u>\$ 1,125,956</u>	<u>\$ 42,881</u>	<u>\$ -0-</u>	<u>\$ 1,083,075</u>

The difference of \$77,490 is due to the Health Department Fund being reported as of September 30, 2006 and the other funds being reported as of December 31, 2006.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

PRIMARY GOVERNMENT

	Restated Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
GOVERNMENTAL ACTIVITIES				
Land and improvements	\$ 230,918	\$ -	\$ -	\$ 230,918
Buildings and improvements	6,919,576	32,822	-	6,952,398
Vehicles	970,405	181,556	(116,712)	1,035,249
Equipment	2,662,108	117,634	(19,942)	2,759,800
Total at historical cost	10,783,007	332,012	(136,654)	10,978,365
Less accumulated depreciation	(5,027,972)	(464,046)	136,654	(5,355,364)
Capital assets, net	<u>\$ 5,755,035</u>	<u>\$ (132,034)</u>	<u>\$ -0-</u>	<u>\$ 5,623,001</u>

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE F: CAPITAL ASSETS - CONTINUED**PRIMARY GOVERNMENT - CONTINUED**

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
BUSINESS TYPE ACTIVITIES				
Land	\$ 90,379	\$ 5,516	\$ -	\$ 95,895
Buildings and improvements	3,739,162	67,807	-	3,806,969
Equipment	<u>920,422</u>	<u>23,910</u>	<u>(49,765)</u>	<u>894,567</u>
Total at historical cost	4,749,963	97,233	(49,765)	4,797,431
Less accumulated depreciation	<u>(3,097,766)</u>	<u>(206,813)</u>	<u>49,765</u>	<u>(3,254,815)</u>
Capital assets, net	<u>\$ 1,652,197</u>	<u>\$(109,580)</u>	<u>\$ -0-</u>	<u>\$ 1,542,616</u>
COMPONENT UNITS				
DRAINAGE DISTRICTS				
Drains	\$ 24,440,234	\$ 185,000	\$ -	\$ 24,625,234
Less accumulated depreciation	<u>(10,211,790)</u>	<u>(821,041)</u>	<u>-</u>	<u>(11,032,831)</u>
Capital assets, net	<u>\$ 14,228,444</u>	<u>\$(636,041)</u>	<u>\$ -</u>	<u>\$ 13,592,403</u>
ROAD COMMISSION				
Land and improvements	\$ 66,903	\$ -	\$ -	\$ 66,903
Buildings	429,111	1,555	-	430,666
Equipment	7,738,414	398,716	(11,573)	8,125,557
Construction in progress	-	393,228	(-)	393,228
Infrastructure (roads, bridges)	62,164,852	3,303,381	(506,666)	64,961,567
Depletable assets	<u>55,450</u>	<u>-</u>	<u>-</u>	<u>55,450</u>
Totals at historical cost	70,454,730	4,096,880	(518,239)	74,033,371
Less accumulated depreciation	<u>(25,719,069)</u>	<u>(3,387,872)</u>	<u>510,971</u>	<u>(28,595,970)</u>
Capital assets, net	<u>\$ 44,735,661</u>	<u>\$ 709,008</u>	<u>\$(7,268)</u>	<u>\$ 45,437,401</u>

NOTE G: LINE OF CREDIT

The Economic Development Corporation has a line of credit agreement with Chase Bank to cover costs associated with their fundraising campaign. The line of credit limit is for \$250,000 with interest of an annual rate of 2.75% under the prime rate, payable in full on June 14, 2007. As of December 31, 2006, there was an outstanding balance of \$191,300.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2006:

	Restated Balance Jan. 1, 2006	Additions	Reductions	Balance Dec. 31, 2006	Amounts Due within One Year
PRIMARY GOVERNMENT					
General Long-Term Debt					
Direct County Obligations	\$ 3,131,983	\$ -	\$ 224,390	\$ 2,907,593	\$ 219,390
Pension liability	525,922	21,210	-	547,132	-
Accumulated vacation and sick	<u>778,405</u>	<u>79,702</u>	<u>-</u>	<u>858,107</u>	<u>-</u>
	4,436,310	100,912	224,390	4,312,832	219,390
Proprietary Fund Types					
Internal Service Funds					
Data Processing Fund					
Capital lease	5,110	-	5,110	-	-
Police Vehicle & Equipment Fund					
Capital lease	52,606	82,374	54,781	80,199	52,774
Motor Pool Fund					
Capital lease	22,483	52,682	26,146	49,019	19,595
Enterprise Funds					
Medical Care Facility					
Accumulated vacation and sick	<u>105,301</u>	<u>3,731</u>	<u>-</u>	<u>109,032</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	4,621,810	239,699	310,427	4,551,082	291,759
COMPONENT UNITS					
Board of Public Works					
Water system bonds	9,508,621	6,492,492	565,000	15,436,113	585,000
Drainage Districts					
Special assessment bonds	1,755,000	-	160,000	1,595,000	165,000
Special assessment notes	839,000	-	167,000	672,000	167,000
Section 434 notes	<u>1,132,119</u>	<u>120,500</u>	<u>259,641</u>	<u>992,978</u>	<u>257,954</u>
Total Drainage Districts	3,726,119	120,500	586,641	3,259,978	589,954
Road Commission					
Capital leases payable	164,544	267,102	37,609	394,037	105,814
Accumulated vacation and sick	<u>497,114</u>	<u>178,380</u>	<u>284,936</u>	<u>390,558</u>	<u>169,777</u>
Total Road Commission	661,658	445,482	322,545	784,595	275,591
TOTAL COMPONENT UNITS	13,896,398	7,058,474	1,474,186	19,480,686	1,450,545
TOTAL REPORTING ENTITY	<u>\$18,518,208</u>	<u>\$ 7,298,173</u>	<u>\$ 1,784,613</u>	<u>\$24,031,768</u>	<u>\$ 1,742,304</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE H: LONG-TERM DEBT - CONTINUED**PRIMARY GOVERNMENT****Direct County Obligations - County Building Authority Bonds**

The Sanilac County Board of Commissioners is party to long-term lease agreements for rental of the Medical Care Facility, Jail and Health Department buildings from the Sanilac County Building Authority. The lease agreements stipulate that the annual rentals be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

Bonds payable at December 31, 2006 are as follows:

\$1,350,000 Sanilac County Building Authority Bonds (Medical Care Facility Project) - Series 1995, dated February 1, 1995, due in annual installments ranging from \$45,000 to \$105,000 through October 1, 2020, with interest ranging from 4.80 to 5.50 percent, payable semi-annually.	\$ 985,000
\$1,175,000 Sanilac County Building Authority Bonds (Jail Project Refunding Bonds) - Series 2003 dated July 30, 2003, due in annual installments ranging from \$75,000 to \$105,000 through September 1, 2017, with interest ranging from 2.00 to 4.00 percent, payable semi-annually.	965,000
\$1,215,000 Sanilac County Building Authority Bonds (Health Project Refunding Bonds) - Series 2002 dated August 1, 2002, due in annual installments ranging from \$95,000 to \$125,000 through January 1, 2014, with interest ranging from 4.00 percent to 4.30 percent, payable semi-annually.	<u>865,000</u>
	2,815,000

Direct County Obligations - Brownfield Redevelopment Authority Note

During fiscal year 2006, the Sanilac County Board of Commissioners assumed a long-term note payable previously in the name of the Sanilac County Economic Development Corporation. The note was for the Sandusky-Argyle Street Project #455761-00, dated September 7, 2001, due in annual installments ranging from \$7,517 to \$9,184 through September 7, 2016, with interest of 2.25 percent, payable annually.

92,593

\$ 2,907,593

Advance Refundings - Prior

On August 1, 2002, the County defeased the balance of the 1995 Building Authority Bonds (Health Project). This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County issued 2002 Building Authority Refunding Bonds (Health Project) in the amount of \$1,215,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2006, bonds due and payable for the 1995 Building Authority Bonds (Health Project) in the amount of \$845,000 are considered defeased.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE H: LONG TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Advance Refundings - Prior

On July 30, 2003, the County defeased the balance of the 1996 Building Authority Bonds (Jail Project). This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County issued 2003 Building Authority Refunding Bonds (Jail Project) in the amount of \$1,175,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2006, bonds due and payable for the 1996 Building Authority Bonds (Jail Project) in the amount of \$755,000 are considered defeased.

Pension Liability

The pension liability represents the cumulative difference between the annual required employer contributions (per actuarial reports) and the actual contributions made to the retirement system by the County. This amount of \$547,132 is reflected as a noncurrent liability in the statement of net assets.

Accumulated Vacation and Sick

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$967,139 for vacation and sick at December 31, 2006. This amount has been reported as a noncurrent liability in the statement of net assets.

Capital Leases

The County purchased four (4) police vehicles in 2005 under a capital lease agreement. The cost of the vehicles under this lease agreement was \$80,958. The asset and liability has been recorded in the Police Vehicle and Equipment (Internal Service) Fund.

The County purchased four (4) police vehicles in 2006 under a capital lease agreement. The cost of the vehicles under this lease agreement was \$82,374. The asset and liability has been recorded in the Police Vehicle and Equipment (Internal Service) Fund.

The County purchased two (2) vehicles in 2005 under capital lease agreements. The cost of the vehicles under these lease agreements were \$24,784. The asset and liability has been recorded in the Motor Pool (Internal Service) Fund.

The County purchased three (3) vehicles in 2006 under capital lease agreements. The cost of the vehicles under these lease agreements were \$52,682. The asset and liability has been recorded in the Motor Pool (Internal Service) Fund.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Capital Leases - continued

The following is a summary of future payment requirements on these leases.

<u>Due Year Ending December 31,</u>	<u>Vehicles</u>
2007	\$ 80,405
2008	50,419
2009	<u>9,071</u>
	139,894
Less: interest	<u>(10,677)</u>
	<u>\$ 129,218</u>

Delinquent Tax Notes

The County purchases from the other local taxing authorities the face value of real property taxes that become delinquent each year. To fund this purchase, the County issues delinquent tax notes for which the subsequent collections of the delinquent taxes are used as collateral for payment of the notes. The activity related to issuance and payment of this debt is recorded in the applicable Delinquent Tax (Enterprise) Fund.

There were no outstanding delinquent tax notes payables at December 31, 2006.

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Indirect County Obligations - Water System Bonds

The County has irrevocably pledged its full faith and credit as collateral for the following water system bonds. These projects are administered by the Sanilac County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, along with assessments made against benefiting properties, provide the monies required to meet the principal and interest on the sewer system bonds.

Bonds payable at December 31, 2006, for the water system construction projects are as follows:

\$1,030,000 Sanilac County Water System Improvements Project Bonds - Series 1998 (Townships of Lexington and Worth), dated October 1, 1998, due in annual installments ranging from \$50,000 to \$75,000 through May 1, 2018, with interest ranging from 4.50 percent to 5.05 percent, payable semi-annually.	\$ 770,000
\$8,225,000 Sanilac County Water System Improvement Project Bonds - Series 2000A (Township of Worth), dated March 1, 2000, due in annual installments ranging from \$425,000 to \$450,000 through May 1, 2020, with interest ranging from 5.625 to 6.10 percent, payable semi-annually.	6,100,000
\$950,000 Sanilac County Water System Improvements Project Bonds - Phase II - Series 2001 (Township of Worth), dated December 1, 2001, due in annual installments of \$50,000 through May 1, 2020, with interest ranging from 4.70 percent to 5.30 percent, payable semi-annually.	700,000

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - BOARD OF PUBLIC WORKS - CONTINUED

Indirect County Obligations - Water System Bonds - continued

\$200,000 Sanilac County Brown City Water Tower Rehabilitation Project Bonds, Series 2002, dated September 1, 2002, due in annual installments of \$20,000 through March 1, 2012, with interest at 3.35 percent, payable semi-annually.	\$ 120,000
\$1,065,000 Sanilac County Drinking Water Revolving Project Bonds, dated June 24, 2004, due in annual installments ranging from \$25,000 to \$50,000 through April 1, 2034, with interest at 2.125 percent, payable semi-annually.	1,015,000
\$815,000 Sanilac County, Village of Carsonville Water Supply Bonds, dated August 5, 2005, due in annual installments ranging from \$15,000 to \$31,032 through April 1, 2036, with interest at 2.125 percent, payable semi-annually.	641,032
\$9,290,000 Sanilac County Drinking Water Revolving Project Bonds (Sanilac Township), dated June 22, 2006, due in annual installments ranging from \$235,000 to \$315,000 through April 1, 2037, with interest at 2.125 percent, payable semi-annually.	<u>\$ 6,090,081</u>
	<u>\$15,436,113</u>

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Bonds and Notes

The County has irrevocably pledged its full faith and credit for the following drain bonds and notes. These projects are administered by the Sanilac County Drain Commission for various local drainage districts.

The drain bonds and notes were issued to finance the various construction funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Bonds and notes payable at December 31, 2006, per respective drain projects serviced from the Component Unit Funds are as follows:

Special Assessment Bonds

\$2,555,000 Duff and Branches Drain Bonds dated January 1, 1999, due in annual installments ranging from \$165,000 to \$230,000 through June 1, 2014, with interest of 4.00 percent, payable semi-annually.	<u>\$ 1,595,000</u>
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Special Assessment Notes

\$560,000 Turtle Creek and Branches drain note dated January 20, 1998, due in annual installments of \$56,000 through June 20, 2007, with interest at 5.125 percent, payable semi-annually.	\$ 56,000
\$510,000 White Rock Creek Intercounty Drainage District drain note dated February 1, 1998, due in annual installments of \$51,000 through August 1, 2007, with interest at 5.25 percent, payable semi-annually.	51,000

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Special Assessment Notes - continued

\$745,000 Stone drain note dated September 11, 2003, due in annual installments of \$60,000 to \$65,000 through June 1, 2015, with interest at 4.25 percent, payable semi-annually. \$ 565,000

\$ 672,000

Various section 434 drain notes due in various annual installments and interest rates through 2016. \$ 992,978

COMPONENT UNIT - ROAD COMMISSION

Capital Leases

The Road Commission has entered into various capital lease agreements for the purchase of various equipment. The cost of equipment purchased under these capital leases totaled \$394,037.

The following is a summary of future payment requirements on these leases.

Due Year Ending <u>December 31,</u>	<u>Amount Due</u>
2007	\$ 121,076
2008	119,288
2009	<u>182,991</u>
	423,355
Less: interest	<u>(29,318)</u>
	<u>\$ 394,037</u>

Accumulated Vacation and Sick

In accordance with Commission personnel policies and/or contracts negotiated with various employee groups of the Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As of September 30, 2003, individual employees do not have vested rights upon termination of employment to receive payment for unused sick leave, however balances that had accumulated up to that date will be paid out to individual employees over a five year period.

Accumulated vacation and sick leave represents a liability to the Commission, which is presented as a current liability. For this reason, the total liability reported in the government-wide financial statements represents a current liability of \$390,558 at December 31, 2006.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

The annual requirements to pay the debt principal and interest outstanding for the following Bonds and Notes are as follows:

Year Ending December 31,	Primary Government	Component Units		Total
	Direct County Obligations	Board of Public Works Water System Bonds	Drainage Districts Bond and Drain Notes	
2007	\$ 339,825	\$ 1,168,505	\$ 718,503	\$ 2,226,833
2008	346,970	1,455,566	555,172	2,357,709
2009	343,408	1,428,753	454,985	2,227,146
2010	344,358	1,396,672	431,324	2,172,354
2011	349,478	1,359,427	422,200	2,131,105
2012-2016	1,486,495	6,255,888	1,209,556	8,951,938
2017-2021	546,886	4,662,588	-	5,209,474
2022-2026	-	2,115,966	-	2,115,966
2027-2031	-	591,531	-	591,531
2032-2037	-	288,190	-	288,190
	3,757,420	20,723,087	3,791,739	28,272,246
Less: interest	(849,827)	(5,286,974)	(531,761)	(6,668,561)
	<u>\$ 2,907,593</u>	<u>\$15,436,113</u>	<u>\$ 3,259,978</u>	<u>\$21,603,684</u>

NOTE I: EMPLOYEE RETIREMENT SYSTEM

RETIREMENT SYSTEM - COUNTY GENERAL

The County contributes to the Sanilac County Employee Retirement Plan and Trust (the Plan), which is a single-employer public employee retirement systems (PERS). The PERS is considered part of the County of Sanilac financial reporting entity and is included in the County's primary government financial statements as a pension trust fund. A stand-alone financial report for the Plan has not been issued.

On October 1, 1997, the Sanilac County Community Mental Health Authority (the "Authority") was formed as an entity legally separate from Sanilac County. The Authority received separately audited financial statements; however, the pension plan assets and liabilities of the Authority were not transferred from the County's pension plan into a separate plan for the Authority employees. As a result, disclosures related to the County's pension plan remain presented as a single employer plan; however, information regarding the benefit provisions, pension costs, and pension obligation is reported net of the Authority. That is, the numbers presented for the aforementioned items relate only to Sanilac County employees.

All active employees working at least 1,000 hours per year, who agree to make mandatory contributions as specified by the Plan document, (except for certain participants) become a participant on the date of hire. At least 50% of the participant's compensation must come from County funds and the participant must be an employee of the County for Plan A, an employee of the Health Department for Plan B, an employee of the Parks Department for Plan C, an employee of the Sheriff Department for Plan E, and an employee of the Medical Care Facility for Plan F.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED**

Membership of the plan consisted of the following at December 31, 2005, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	134
Inactive plan members	48
Active plan members	<u>406</u>
Total	<u>588</u>

NORMAL RETIREMENT BENEFITEligibility

Benefits vest after ten (10) years of service for employees hired after the year 2000. General County and Parks Department employees may retire at age fifty-five (55) with the completion of twenty-five (25) years of credited service. Sheriff department employees may retire at age fifty (50) with completion of twenty-five (25) years of credited service. All other plan employees may retire at age sixty (60) with at least eight (8) years of credited service.

Benefit

Average compensation means compensation converted to a monthly amount and then averaged over the five consecutive total of years of service, which produce the highest monthly average within the last ten completed years of employment.

The normal retirement benefit for the Sheriff's Department bargaining unit, County Sheriff and County Under-Sheriff is calculated based upon 2.5% of average compensation multiplied by total years of credited service. The normal retirement benefit for elected and appointed officials is calculated based on 2.1% of average compensation multiplied by total years of credited service. The normal retirement benefit for other County personnel is calculated based upon 2% of average compensation multiplied by total years of credited service.

Accrued benefit is payable immediately without any actuarial reductions in monthly benefit. Accrued benefit is defined as a percentage of the benefit projected at normal retirement, which accrues for each year of service a participant is in the plan.

DISABILITY BENEFITEligibility

Plan participants who are totally and permanently disabled and have ten (10) years of credited service may receive benefits.

Benefit

Computed in the same manner as Normal Retirement Benefit and then reduced for an early retirement start date.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

PRE-RETIREMENT DEATH BENEFIT

Eligibility

Death before retirement after completion of eight (8) years of credited service.

Benefit

Computed in the same manner as Normal Retirement Benefit based on credited service at date of death. Benefit is payable to the beneficiary for a period not to exceed 120 months.

These benefit provisions and all other requirements were established and may be amended by the County Board of Commissioners.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period they are due. The County's contributions to the Plan are recognized when due and they have made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Valuation of Investments

Marketable securities are stated at aggregate fair value. Securities that are traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan's year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price.

The differences between aggregate fair value and the cost of investments along with realized gains and losses on sales of investments are reflected in the Statement of Changes in Plan Net Assts as net appreciation or depreciation in the fair value of investments.

Administrative Expenses

The Plan is administered by Sanilac County. The County has hired a third party to perform many of the administrative functions of the Plan. Administrative expenses, such as trustee fees, investment counseling, and actuarial fees, are paid by the Plan.

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the Sanilac County Retirement Board. Members of the Public Health and Medical Care Facility groups, as well as POAM/COAM members hired after December 31, 1999, and District and Probate Court members hired after May 31, 2002, are required to contribute 5% of their annual covered salary. Members of the General Union and Friend of the Court hired after June 30, 2002, are required to contribute 3.75% of their annual salary. The County is required to contribute at an actuarially determined rate.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Annual Pension Cost and Net Pension Obligation

The County's annual pension costs and net pension obligation for the current year were as follows:

Net pension asset (obligation), beginning of year (restated)	\$(525,922)
Annual pension cost (required contribution)	(1,365,736)
Contributions made	<u>1,344,526</u>
Net pension asset (obligation), end of year	<u>\$(547,132)</u>

The annual required contribution for the current year was determined as part of the December 31, 2004 actuarial valuation using the individual entry age actuarial cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 5% per year, compounded annually for inflation and merit and longevity pay ranging from 0 to 3.7%, and (c) the assumption that benefits will not increase after retirement.

The unfunded actuarial accrued liability is amortized as a level percent of payroll on a closed basis with a remaining amortization period of 20 years. The actuarial value of assets is determined by adding contributions and regular investment income to valuation assets at the beginning of the year and reducing that amount by benefit payments and administrative expenses. This preliminary value is then adjusted by 20% of the fair value gains and losses for each of the last 5 years.

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll</u>
12/31/03	\$22,943,915	\$32,123,989	\$ 9,180,074	71.4 %	\$12,511,291	73.4 %
12/31/04	25,697,666	35,505,649	9,807,983	72.4 %	13,087,247	74.9 %
12/31/05	28,364,899	36,369,005	8,004,106	78.0 %	12,821,819	62.4 %

NOTE: Amounts presented above include information for the Sanilac County Mental Health Authority. Separate information for the County and the Authority were not available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended Dec. 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 1,215,250	99.0 %	\$(491,565)
2005	1,331,749	97.4 %	(525,922)
2006	1,365,736	98.4 %	(547,132)

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

RETIREMENT SYSTEM - ROAD COMMISSION

PLAN DESCRIPTION

The Road Commission has a master single employer defined contribution plan called The Sanilac County Money Purchase Plan. This defined contribution plan is administered by Pension Plan Service, Inc. and is available to all employees of the Road Commission. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and the forfeitures of other participant's account. All employees who are at least 21 years old and have completed six months of service are eligible to participate.

Plan provisions require that the Road Commission contribute 8 percent of each active participant's compensation and do not allow for participant contributions. The Road Commission's contributions for each employee (and earnings allocated to the employee's account) are vested at the rate of 20 percent upon completing 2 years of service, plus an additional 20 percent for each year of the next 4 years of service. Road Commission contributions for and interest forfeited by employees who leave employment before full vesting are used to reduce the Road Commission's current period contribution requirement. The plan uses the accrual basis of accounting with investments stated at market.

The Road Commission's total payroll for the year ended December 31, 2006, was \$2,485,959. The Road Commission's contributions were calculated using the covered compensation amount of \$2,436,043. The Road Commission made the required contribution amounting to \$194,884.

NOTE J: RISK MANAGEMENT

PRIMARY GOVERNMENT

The County is self-insured for comprehensive liability, motor vehicle physical damage and comprehensive, property and crime coverage through the Michigan Municipal Risk Management Authority (the Authority). All other types of risk of loss are covered through commercial insurance.

All liability claims up to \$100,000 per claim are paid from the net contribution account of the County held by the Authority. In addition, after meeting certain deductible requirements, all vehicle claims up to \$15,000 per vehicle and up to \$30,000 per occurrence and property and crime claims up to \$10,000 are also paid from the County's contribution account. The Authority is responsible for any claims in excess of the above amounts up to a maximum limit of \$10,000,000.

The County's insurance administrator may make additional assessments to its member participants based upon the results of insurance pools operations. There were not reductions in the County's insurance coverage from the prior year. The County's policy is to recognize the annual contribution to the Authority as an expenditure of the General Fund and Motor Pool Internal Service Fund.

In accordance with Governmental Accounting Standards Board Statement No. 10, the County determines an estimated claims liability that includes expected losses from reported claims and an amount for incurred but not reported claims. The County relies on their insurance administrator's calculations of both types of claim liabilities. The County has determined the estimated claims liability net of a cash balance in the Retention Fund to be immaterial.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE J: RISK MANAGEMENT - CONTINUED

COMPONENT UNIT

Road Commission

Sanilac County Road Commission is member of the Michigan County Road Commission Self Insurance Pool established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protections, claims administration and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

Sanilac County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission also has self-insurance for worker's compensation as a member of the County Road Association Self-insurance Fund. The Road Commission's employee medical benefits insurance is purchased through Blue Cross and Blue Shield.

At December 31, 2006, there were no claims that exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years.

NOTE K: CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

In the normal course of operations, there are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, are considered by County management and legal counsel to be immaterial.

A substantial portion of the Medical Care Facility and Health Department's total patient revenues are for services provided to Medicare and Medicaid patients. Payments for these services are based upon allowable services and costs incurred and are subject to final audit by the intermediaries.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE L: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31.

Although the County's 2006 ad valorem tax is levied and collectible on December 31, 2006, it has been the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of County operations. However, for the County's 2006 tax levy, two thirds of the General Fund ad valorem tax was levied in the summer of 2006 and recognized as revenue in 2006. One third of the General Fund ad valorem tax was levied in December 2006, and one third of the December 2004 General Fund ad valorem tax levy has been recognized as revenue in the Revenue Sharing Fund per State statute.

The 2006 taxable value of Sanilac County amounted to \$1,334,720,428 on which ad valorem taxes levied consisted of 4.0634 mills for general operations, .1984 mills for Council on Aging, .1984 mills for Ambulance services, and 1.9065 mills for the Roads, .4847 mills for drug law enforcement, .1938 mills for Parks, .1984 mills for County Library, .124 mills for Veterans, and .1984 mills for MCF maintenance of effort.

The property taxes levied at December 1 are accrued as current taxes receivable with the appropriate deferral and are budgeted as revenue in the subsequent year in the General Fund and applicable Special Revenue Funds, with the exception of the amounts recognized as revenue in 2006 as described above.

Taxes are collected by the various tax collecting units from the date of the levy to December 31, and remitted to the County through the Trust and Agency Fund for distribution to the General and Special Revenue Funds. These amounts have been reported as undistributed collections in the Trust and Agency Fund.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1, and records a corresponding delinquent taxes receivable. Real property taxes not ultimately collected are charged back to the General, Special Revenue, and Debt Service Funds and all other taxing authorities affected. Past experience has indicated that such chargebacks should not be material and, as a result, there has been no establishment of an amount for uncollectible taxes receivable in any of the funds. This activity is accounted for in the Delinquent Tax Revolving Funds.

NOTE M: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the financial statements, the County's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2006, the County incurred expenditures in the General Fund and one (1) major Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Health and Welfare			
MSHDA grant program	\$ -	\$ 122,909	\$ 122,909
Special Revenue Funds			
Health Department Fund	1,958,817	2,049,178	90,361

The variance in the General Fund (Health and Welfare) is due to an audit entry to record the gross revenue and expenditure related to grant fund activity passed through to a subrecipient.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance which the County has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2006:

PRIMARY GOVERNMENT

General Fund

Reserved for prepaids	\$ 3,548
Reserved for advances to other funds	<u>122,539</u>

126,087

Drug Task Force

Reserved for prepaids	3,626
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Health Department

Reserved for prepaids	<u>41,578</u>
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Total Major Funds

171,291

Other Non-Major Funds

Special Revenue Funds

Friend of the Court

Reserved for prepaids	3,422
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Veterans Millage

Reserved for prepaids	650
-----------------------	-----

C.O.P.S. Grant

Reserved for prepaids	333
-----------------------	-----

Secondary Road Patrol

Reserved for prepaids	1,638
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Crime Victim's Rights

Reserved for prepaids	28
-----------------------	----

Child Care

Reserved for prepaids	241
-----------------------	-----

Parks and Recreation

Reserved for prepaids	1,957
-----------------------	-------

Debt Service Funds

Brownfield Redevelopment

Reserved for debt service	41,934
---------------------------	--------

Medical Care Facility

Reserved for debt service	19,136
---------------------------	--------

Health Department Building

Reserved for debt service	131,069
---------------------------	---------

Jail Building

Reserved for debt service	3
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Building Authority

Reserved for debt service	<u>1,529</u>
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Total Non-Major Funds

201,940

TOTAL PRIMARY GOVERNMENT

\$ 373,231

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

The following are fund balance designations as of December 31, 2006:

PRIMARY GOVERNMENT	
General Fund	
Designated for various grants	\$ 9,786
Other Non-Major Funds	
Special Revenue Funds	
Central Dispatch	
Designated for 911 wireless activities	195,321
Secondary Road Patrol	
Designated for various grants	<u>1,250</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 206,357</u>

NOTE O: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

The following are the various net asset restrictions as of December 31, 2006:

PRIMARY GOVERNMENT	
Governmental Activities	
Restricted for capital improvements	
Equipment	\$ 56,425
Restricted for debt service	
Brownfield Redevelopment	41,934
Building Authority	1,529
Health Department Building	131,069
Jail Building	3
Medical Care Facility Building	<u>19,136</u>
	193,671
Restricted for other purposes	
General Government	
Revenue Sharing Reserve	2,669,871
Road Millage	1,349
Register of Deeds - Automation	86,083
County Library	2,796
Homestead Property Tax	176
Public Communications	562
County Services Reserve Fund	<u>131,828</u>
	2,892,665

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE O: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Restricted for other purposes - continued

Judicial

Friend of the Court	\$ 6,379
Family Counseling	31,599
Law Library	6,829
Crime Victim's Rights	<u>1,984</u>
	46,791

Public Works

Soil Erosion and Sedimentation	4,031
Environmental Trust	56,417
Solid Waste Grant	3,558
Material Recovery	18,339
Public Improvement	<u>1</u>
	82,346

Public Safety

Drug Task Force	70,754
Hunters Safety	3,008
Law Enforcement	15
C.O.P.S. Grant	4,072
Local Corrections Training	3,168
Drug Law Enforcement	89,089
Contractual Patrol	4,799
U.S. Marshall	66,945
Byrne Memorial	4,857
Sheriff Commissary	15,956
Jail Maintenance	1,764
Central Dispatch	195,321
Secondary Road Patrol	<u>1,250</u>
	460,998

Health and Welfare

Health Department	(42,056)
County Ambulance	1,586
Veterans Millage	10,392
Revolving Loan	432,321
Strong Families Project	9,793
Children's Trust	2,044
Child Care Grant	3,389
F.I.A.	34,820
Child Care	100,000
Veterans Trust	933
Maintenance of Effort	83,748
Senior Citizen Council on Aging	13,756
Great Parent/Great Start	62
Brownfield Redevelopment	<u>27,356</u>

678,144

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE O: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Governmental Activities - continued

Restricted for other purposes - continued

Recreation and Cultural

Parks and Recreation

\$ 103,490

Forester Park Water Fund

13,554

117,044

Internal Service

Accumulated Benefits

2,321

Total restricted for other purposes

4,280,309

TOTAL PRIMARY GOVERNMENT

\$ 4,530,405

COMPONENT UNITS

Restricted for capital improvements

Drainage Districts

Regular Drains

\$ 1,395,261

Maintenance Revolving

148,454

White Rock

51,432

Duff & Branches

360,287

Stone

34,508

1,989,942

Board of Public Works

Brown City Water

12,883

Carsonville Water

1

Worth Phase II Water

5,670

18,554

2,008,496

Restricted for debt service

Drainage Districts

Turtle Creek Construction

125,797

Turtle Creek

55,459

White Rock

42,488

Duff & Branches

2,069,283

Regular Drains

1,296,152

Stone Drain

781,835

4,371,014

Board of Public Works

Worth Phase II Water

1,365

Lex. Worth Water

169

1,534

4,372,548

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE O: RESTRICTED NET ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

Restricted for other purposes	
Road Commission	
Restricted for road projects	\$ 1,661,400
TOTAL COMPONENT UNITS	<u>\$ 8,042,444</u>

NOTE P: FUND DEFICIT

The following funds had an unreserved fund deficit at December 31, 2006.

<u>Fund</u>	<u>Deficit Amount</u>
Primary Government	
Health Department	\$ 51,842
Component Unit	
Economic Development Corporation	120,331

NOTE Q: POST-EMPLOYMENT HEALTH BENEFITS

PRIMARY GOVERNMENT

In addition to the pension benefits described in Note H, the County provides post-retirement health care benefits, in accordance with union contracts and board resolution, to elected and appointed officials and to members of certain union groups. The County reimburses 100% of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. Retirees eligible to participate in the health insurance plan who elect not to participate receive 50% of the annual premium cost in lieu of health coverage.

The County has established an Internal Service Fund to account for funding and payments related to this activity. During the year ended December 31, 2006, the fund had reimbursement revenues of \$41,813 and the County also transferred \$245,916 to this fund. The County paid \$243,467 in expenses related to this activity.

COMPONENT UNIT

Sanilac County Road Commission provides hospitalization medical coverage on a complimentary basis for any employee who retires after January 1, 1990, at age 55 with at least thirty years of service. At age 65, the employee receives supplemental coverage for himself or herself only.

For any employee who retires after age 62 and after January 1, 1990, Sanilac County Road Commission provides the retiree and his or her spouse with hospitalization medical coverage, provided however, that if the retiree's spouse, by virtue of his or her employment or otherwise, has the retiree as a covered beneficiary on his or her hospitalization medical coverage, the Road Commission will be under no obligation to provide coverage. At age 65 the retiree and or spouse coverage will be supplemental only.

The benefits are provided based on requirements of union contracts and are financed on a pay-as-you-go basis. For the year ended December 31, 2006, Sanilac County Road Commission expended \$405,716 for 34 participants currently eligible to receive benefits.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE Q: POST-EMPLOYMENT HEALTH BENEFITS - CONTINUED

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

NOTE R: ECONOMIC DEVELOPMENT CORPORATION (COMPONENT UNIT) FUNDRAISING CAMPAIGN

The Economic Development Corporation (component unit) conducted a fundraising campaign during the year. Total fundraising dollars pledged as a result of this campaign as of December 31, 2006 amounted to \$396,125. Due to the uncertainty of the actual amount of pledges that will eventually be collected related to this fundraising campaign, the Corporation did not recognize revenue for any pledges that had not been collected as of December 31, 2006.

NOTE S: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which was the result of the correction of accounting errors. These adjustments were reported as changes to beginning fund balance. The effect on operations and other affected balances for the current and prior year is as follows:

	<u>2006</u>	<u>2005</u>	<u>Description</u>
COMPONENT UNITS			
Economic Development Corporation			
Intergovernmental Revenues	\$ -	\$ 84,868	Correction of accounting errors
Revenues over (under) expenses	-	84,868	
Fund balance - beginning	84,868	-	

REQUIRED SUPPLEMENTARY INFORMATION

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 5,181,180	\$ 5,181,180	\$ 5,169,513	\$ (11,667)
Other property taxes	6,000	6,000	6,010	10
Industrial & commercial facilities tax	13,500	13,500	20,814	7,314
Penalties & interest on taxes	1,000	16,300	23,286	6,986
Real estate transfer tax	120,000	135,900	132,696	(3,204)
Total taxes	5,321,680	5,352,880	5,352,319	(561)
Licenses and permits				
Dog licenses	82,000	82,000	92,068	10,068
Inspection and land use permits	330,400	330,400	313,003	(17,397)
Other licenses and permits	6,225	6,225	4,598	(1,627)
Total licenses and permits	418,625	418,625	409,669	(8,956)
Intergovernmental - Federal/State				
Emergency management	18,935	18,935	3,370	(15,565)
Judges state standardization payment	137,172	137,172	137,172	-0-
Probate Judge's Salary	102,000	102,000	102,063	63
Juvenile Court Admin. Supplement	27,317	27,317	27,317	-0-
State aid - case flow assistance	11,500	9,596	9,596	-0-
State grant - court equity	220,000	190,000	190,230	230
Cooperative reimbursement - Prosecutor	68,000	46,000	45,206	(794)
MSHDA grant	-	-	122,909	122,909
Cigarette tax revenue	16,000	26,309	26,309	-0-
Voter registration applications	950	950	829	(121)
Liquor law enforcement	4,000	4,000	4,344	344
Homeland security grant	18,635	202,045	202,045	-0-
Convention facility tax	80,000	112,100	112,106	6
Other State revenues	5,500	5,500	8,821	3,321
Total intergovernmental - Federal/State	710,009	881,924	992,317	110,393

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Charges for services				
Circuit court costs	\$ 20,000	\$ 20,000	\$ 21,054	\$ 1,054
District Court services	6,000	6,000	9,049	3,049
District court costs	501,000	471,000	466,711	(4,289)
Prosecuting attorney services	1,500	1,500	-	(1,500)
Register of deeds services	241,700	221,140	224,158	3,018
Register of deeds - technology	70,000	70,000	60,866	(9,134)
General services	162,650	159,180	178,939	19,759
County treasurer services	2,700	2,700	2,652	(48)
Circuit court services	13,750	20,750	25,962	5,212
County clerk services	69,000	69,000	78,613	9,613
Probate court services	15,500	15,500	20,667	5,167
Juvenile court services	19,700	19,700	14,201	(5,499)
Animal shelter services	7,000	7,000	5,475	(1,525)
Sheriff department services	95,700	95,700	91,506	(4,194)
Inmate work release	64,000	64,000	25,787	(38,213)
Diverted felons	40,000	40,000	29,015	(10,985)
Care of prisoners	1,029,000	1,075,655	1,009,938	(65,717)
Equalization services	2,000	2,000	1,668	(332)
Data processing services	68,500	68,500	58,706	(9,794)
Other	54,735	82,735	86,601	3,866
Total charges for services	2,484,435	2,512,060	2,411,568	(100,492)
Interest and rents				
Interest on investments	65,050	159,550	189,073	29,523
Rental fees - Mental Health	123,516	98,637	98,637	-0-
Rental fees - other	12,260	12,260	12,622	362
Total interest and rents	200,826	270,447	300,332	29,885
Fines and forfeits				
Ordinance fines and costs	21,750	22,648	12,321	(10,327)
Bond forfeitures	15,000	15,000	22,250	7,250
Total fines and forfeits	36,750	37,648	34,571	(3,077)
Other				
Insurance recoveries and refunds	10,000	43,861	43,861	-0-
Reimbursements and refunds	190,200	298,174	272,324	(25,850)
Total other	200,200	342,035	316,185	(25,850)
TOTAL REVENUES	9,372,525	9,815,619	9,816,961	1,342

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
Operating transfers from other funds				
Environmental Trust	\$ 68,000	\$ 68,000	\$ 68,000	\$ -
Revenue Sharing Reserve	823,502	827,507	827,507	-0-
Tax Foreclosure	38,950	38,950	40,018	1,068
Other funds	24,700	23,058	24,026	968
Total operating transfers from other funds	955,152	957,515	959,551	2,036
Operating transfers from component units				
Drainage Districts	42,000	42,000	42,881	881
TOTAL OTHER FINANCING SOURCES	997,152	999,515	1,002,432	2,917
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$10,369,677</u>	<u>\$ 10,815,134</u>	<u>\$ 10,819,393</u>	<u>\$ 4,259</u>

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Legislative				
Board of Commissioners	\$ 91,549	\$ 94,178	\$ 90,964	\$ 3,214
General government				
Consultant	95,097	107,052	105,986	1,066
Administrator	108,677	120,109	119,494	615
Legal	13,500	19,183	19,182	1
Election	67,250	87,385	79,545	7,840
Community action	3,100	3,100	1,809	1,291
Human Resources	22,953	27,125	27,110	15
Clerk	282,372	334,669	327,126	7,543
Equalization	98,951	100,118	92,910	7,208
Prosecuting Attorney	362,699	404,671	395,298	9,373
Register of Deeds	107,787	131,233	120,975	10,258
Treasurer	189,662	230,429	228,181	2,248
Cooperative extension	148,896	167,604	151,493	16,111
Courthouse and grounds	182,864	233,635	216,276	17,359
Drain commission	125,621	157,081	154,765	2,316
Total general government	1,809,429	2,123,394	2,040,150	83,244
Judicial				
Adult probation	6,900	6,900	4,111	2,789
Circuit Court	224,768	237,845	217,154	20,691
Circuit Court - Juvenile	202,727	213,212	205,125	8,087
District Court	414,121	455,827	438,945	16,882
Jury Board	5,525	5,525	5,005	520
Probate Court	195,848	210,414	200,320	10,094
Public guardian	52,284	59,698	57,604	2,094
Total judicial	1,102,173	1,189,421	1,128,264	61,157
Public safety				
Emergency management	61,304	246,119	245,983	136
Construction and land use	173,621	204,982	204,982	-0-
Planning commission	1,945	1,945	1,623	322
Animal control	102,886	187,012	187,012	-0-
Total public safety	339,756	640,058	639,600	458
Public works				
Department of public works	1,663	3,541	3,124	417
Drains - County at large	210,000	210,000	197,648	12,352
Total public works	211,663	213,541	200,772	12,769

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Health and welfare				
Contagious Disease	\$ 6,000	\$ 6,000	\$ 22	\$ 5,978
Mental Health	250,100	250,100	250,100	-0-
MSHDA housing program	-	-	122,909	(122,909)
Medical examiners	30,767	30,767	26,731	4,036
Total health and welfare	286,867	286,867	399,762	(112,895)
Other				
Fringe benefits	1,107,330	437,686	338,688	98,998
Contingencies	693,182	371,831	-	371,831
Total other	1,800,512	809,517	338,688	470,829
TOTAL EXPENDITURES	5,641,949	5,356,976	4,838,200	518,776
OTHER FINANCING USES				
Operating transfers to other funds				
Friend of the Court Fund	96,919	98,919	94,289	4,630
Workers Compensation Fund	85,000	85,664	85,664	-0-
Insurance Fund	1,221,077	1,232,463	1,127,630	104,833
Employee Health Care Fund	306,300	356,300	292,225	64,075
Law Library Fund	35,000	35,000	17,500	17,500
Data Processing Fund	210,000	210,516	158,016	52,500
Building Authority - Jail Building Debt Fun	111,000	111,250	111,250	-0-
Health Department Fund	186,945	234,364	227,348	7,016
Child Care - F.I.A. Fund	37,400	65,533	65,533	-0-
Child Care - Probate Court Fund	416,071	547,099	547,099	-0-
Sheriff Fund	2,474,700	3,027,861	2,985,348	42,513
F.I.A Administration Fund	2,500	2,500	2,500	-0-
Mail Department Fund	2,859	3,309	2,117	1,192
ROD Automation Fund	70,000	70,000	60,866	9,134
Accumulated Benefits Fund	60,000	74,861	59,861	15,000
Police Vehicle Fund	30,000	30,000	30,000	-0-
Central Dispatch Fund	221,956	221,956	221,956	-0-
Other Funds	-	14,200	14,200	-0-
TOTAL OTHER FINANCING USES	5,567,727	6,421,795	6,103,402	318,393
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 11,209,676	\$ 11,778,771	\$ 10,941,602	\$ 837,169

Sanilac County, Michigan

Road Millage Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,366,700	\$ 2,364,790	\$ 2,364,718	\$ (72)
Interest and rents	20,000	24,852	24,848	(4)
TOTAL REVENUES	2,386,700	2,389,642	2,389,566	(76)
EXPENDITURES				
Current				
Public Works	2,386,700	2,387,476	2,387,444	32
EXCESS OF REVENUES OVER EXPENDITURES	-0-	2,166	2,122	(44)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-0-
Operating transfers out	-	(772)	(771)	1
TOTAL OTHER FINANCING SOURCES (USES)	-	(772)	(771)	1
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	1,394	1,351	(43)
Fund balances, beginning of year	-	-	-	-0-
Fund balances, end of year	\$ -	\$ 1,394	\$ 1,351	\$ (43)

Sanilac County, Michigan

Health Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Licenses and permits	\$ 150,000	\$ 157,500	\$ 141,317	\$ (16,183)
Charges for services	357,987	304,923	326,612	21,689
Interest and Rents	105,635	105,635	-	(105,635)
Intergovernmental	1,047,499	1,233,227	1,321,262	88,035
Other	19,600	13,500	36,826	23,326
TOTAL REVENUES	1,680,721	1,814,785	1,826,017	11,232
EXPENDITURES				
Current				
Health and welfare	1,942,102	1,925,038	2,011,330	(86,292)
Capital outlay	51,006	33,779	37,848	(4,069)
TOTAL EXPENDITURES	1,993,108	1,958,817	2,049,178	(90,361)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(312,387)	(144,032)	(223,161)	(79,129)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	158,210	152,482	206,697	54,215
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(154,177)	8,450	(16,464)	(24,914)
Fund balance, beginning of year	15,986	15,986	15,986	-0-
Fund balance (deficit), end of year	<u>\$ (138,191)</u>	<u>\$ 24,436</u>	<u>\$ (478)</u>	<u>\$ (24,914)</u>

Sanilac County, Michigan

Sheriff Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 13,000	\$ 60,180	\$ 68,264	\$ 8,084
EXPENDITURES				
Current				
Public safety	2,574,970	3,170,443	3,134,800	35,643
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,561,970)	(3,110,263)	(3,066,536)	(27,559)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,563,000	3,116,161	3,058,256	(57,905)
Operating transfers out	(12,000)	(24,211)	(16,621)	7,590
TOTAL OTHER FINANCING SOURCES (USES)	2,551,000	3,091,950	3,041,635	(50,315)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(10,970)	(18,313)	(24,901)	(77,874)
Fund balance, beginning of year	13,856	13,856	24,901	11,045
Fund balance, end of year	\$ 2,886	\$ (4,457)	\$ -	\$ (66,829)

Sanilac County, Michigan

Revenue Sharing Reserve Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 1,598,849	\$ 1,598,849	\$ 1,598,849	\$ -
Interest and Rents	7,000	7,000	13,420	6,420
TOTAL REVENUES	1,605,849	1,605,849	1,612,269	6,420
EXPENDITURES	2,667,475	2,663,470	-	2,663,470
EXCESS OF REVENUES OVER EXPENDITURES	(1,061,626)	(1,057,621)	1,612,269	(2,657,050)
OTHER FINANCING (USES)				
Operating transfers out	(823,502)	(827,507)	(827,507)	-0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	(1,885,128)	(1,885,128)	784,762	(2,657,050)
Fund balance, beginning of year	1,885,109	1,885,109	1,885,109	-0-
Fund balance, end of year	\$ (19)	\$ (19)	\$ 2,669,871	\$ (2,657,050)

Sanilac County, Michigan

Drug Task Force

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 600,318	\$ 600,318	\$ 599,998	\$ (320)
Interest and rents	-	-	11,889	11,889
Other	-	100	100	-0-
TOTAL REVENUES	600,318	600,418	611,987	11,569
EXPENDITURES				
Current				
Public safety	557,518	597,845	574,215	23,630
EXCESS OF REVENUES (UNDER) EXPENDITURES	42,800	2,573	37,772	35,199
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	40,227	40,227	-0-
Operating transfers out	(42,800)	(42,800)	(53,386)	(10,586)
TOTAL OTHER FINANCING SOURCES (USES)	(42,800)	(2,573)	(13,159)	(10,586)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	24,613	24,613
Fund balance, beginning of year	49,767	49,767	49,767	-0-
Fund balance, end of year	\$ 49,767	\$ 49,767	\$ 74,380	\$ 24,613

OTHER SUPPLEMENTARY INFORMATION

Sanilac County, Michigan
Non-major Governmental Funds
COMBINING BALANCE SHEET
December 31, 2006

	County Ambulance	Special County Services Reserve Fund	Friend of the Court
ASSETS			
Cash and cash equivalents	\$ 18,807	\$ 131,828	\$ (62,959)
Accounts receivable	-	-	-
Taxes receivable	258,381	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	-	3,422
Due from other funds	-	-	-
Due from other governmental units	-	-	75,191
TOTAL ASSETS	\$ 277,188	\$ 131,828	\$ 15,654
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	-	-	1,088
Accrued payroll	-	-	4,765
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	275,602	-	-
TOTAL LIABILITIES	275,602	-	5,853
FUND BALANCES			
Reserved for			
Inventory and prepaids	-	-	3,422
Debt service	-	-	-
Unreserved			
Designated, reported in Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	1,586	131,828	6,379
Capital projects funds	-	-	-
TOTAL FUND BALANCES	1,586	131,828	9,801
TOTAL LIABILITIES AND FUND BALANCES	\$ 277,188	\$ 131,828	\$ 15,654

Revenue				
Family Counseling	Central Dispatch	Homestead Property Tax	Soil Erosion/ Sedimentation	Environmental Trust
\$ 31,599	\$ 158,227	\$ 176	\$ 4,159	\$ 25,822
-	16,334	-	-	32,913
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	33,042	-	-	-
<u>\$ 31,599</u>	<u>\$ 207,603</u>	<u>\$ 176</u>	<u>\$ 4,159</u>	<u>\$ 58,735</u>
-	570	-	-	2,318
-	11,712	-	128	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-0-	12,282	-0-	128	2,318
-	-	-	-	-
-	-	-	-	-
-	195,321	-	-	-
31,599	-	176	4,031	56,417
-	-	-	-	-
<u>31,599</u>	<u>195,321</u>	<u>176</u>	<u>4,031</u>	<u>56,417</u>
<u>\$ 31,599</u>	<u>\$ 207,603</u>	<u>\$ 176</u>	<u>\$ 4,159</u>	<u>\$ 58,735</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	Solid Waste Grant	Special Material Recovery	Sanilac Transportation
ASSETS			
Cash and cash equivalents	\$ 3,558	\$ 16,862	\$ -
Accounts receivable	-	3,284	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
TOTAL ASSETS	\$ 3,558	\$ 20,146	\$ -0-
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	-	1,457	-
Accrued payroll	-	350	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	1,807	-0-
FUND BALANCES			
Reserved for			
Inventory and prepaids	-	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	3,558	18,339	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	3,558	18,339	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,558	\$ 20,146	\$ -0-

Revenue				
Public Communications	Hunter's Safety	Public Improvement	Reg. of Deeds- Automation	Veterans Millage
\$ 562	\$ 3,008	\$ 1	\$ 85,913	\$ 24,442
-	-	-	-	-
-	-	-	-	161,411
-	-	-	-	-
-	-	-	-	650
-	-	-	425	-
-	-	-	-	-
<u>\$ 562</u>	<u>\$ 3,008</u>	<u>\$ 1</u>	<u>\$ 86,338</u>	<u>\$ 186,503</u>
-	-	-	255	498
-	-	-	-	1,154
-	-	-	-	-
-	-	-	-	1,635
-	-	-	-	-
-	-	-	-	172,174
-0-	-0-	-0-	255	175,461
-	-	-	-	650
-	-	-	-	-
-	-	-	-	-
562	3,008	1	86,083	10,392
-	-	-	-	-
<u>562</u>	<u>3,008</u>	<u>1</u>	<u>86,083</u>	<u>11,042</u>
<u>\$ 562</u>	<u>\$ 3,008</u>	<u>\$ 1</u>	<u>\$ 86,338</u>	<u>\$ 186,503</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	Law Enforcement	Special C.O.P.S. Grant	Local Corrections Training
ASSETS			
Cash and cash equivalents	\$ 15	\$ (2,835)	\$ 3,188
Accounts receivable	-	-	277
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	333	-
Due from other funds	-	-	-
Due from other governmental units	-	8,750	-
TOTAL ASSETS	\$ 15	\$ 6,248	\$ 3,465
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	-	\$ 340	\$ 297
Accrued payroll	-	1,503	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	1,843	297
FUND BALANCES			
Reserved for			
Inventory and prepaids	-	333	-
Debt service	-	-	-
Unreserved			
Designated, reported in Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	15	4,072	3,168
Capital projects funds	-	-	-
TOTAL FUND BALANCES	15	4,405	3,168
TOTAL LIABILITIES AND FUND BALANCES	\$ 15	\$ 6,248	\$ 3,465

Revenue					
Drug Law Enforcement	Secondary Road Patrol	Contractual Patrol	U.S. Marshall	Law Library	County Library
\$ 89,089	\$ (48,339)	\$ (21,893)	\$ 38,967	\$ 8,877	\$ 19,408
-	-	24,979	-	-	-
-	-	-	-	-	253,333
-	-	-	-	-	-
-	1,638	-	-	-	-
-	-	-	-	-	-
-	53,400	3,792	29,383	-	-
<u>\$ 89,089</u>	<u>\$ 6,699</u>	<u>\$ 6,878</u>	<u>\$ 68,350</u>	<u>\$ 8,877</u>	<u>\$ 272,741</u>
\$ -	\$ -	\$ -	\$ 567	\$ 2,048	\$ -
-	3,811	2,079	838	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	269,945
-0-	3,811	2,079	1,405	2,048	269,945
-	1,638	-	-	-	-
-	-	-	-	-	-
-	1,250	-	-	-	-
89,089	-	4,799	66,945	6,829	2,796
-	-	-	-	-	-
<u>89,089</u>	<u>2,888</u>	<u>4,799</u>	<u>66,945</u>	<u>6,829</u>	<u>2,796</u>
<u>\$ 89,089</u>	<u>\$ 6,699</u>	<u>\$ 6,878</u>	<u>\$ 68,350</u>	<u>\$ 8,877</u>	<u>\$ 272,741</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	Crime Victims Rights	Special Remonumentation Program	Byrne Memorial
ASSETS			
Cash and cash equivalents	\$ (11,719)	\$ (40,160)	\$ 4,857
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	28	-	-
Due from other funds	-	-	-
Due from other governmental units	14,283	40,160	-
TOTAL ASSETS	<u>\$ 2,592</u>	<u>\$ -0-</u>	<u>\$ 4,857</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	580	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	580	-0-	-0-
FUND BALANCES			
Reserved for			
Inventory and prepaids	28	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	1,984	-	4,857
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>2,012</u>	<u>-0-</u>	<u>4,857</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,592</u>	<u>\$ -0-</u>	<u>\$ 4,857</u>

Revenue					
Revolving Loan	Great Parents Great Start	Strong Families Project	Children's Trust	Michigan Justice Training	Child Care Grant
\$ 426,821	\$ (4,638)	\$ 5,778	\$ 5,421	\$ 149	\$ 3,394
5,500	-	-	-	-	-
-	-	-	-	-	-
164,507	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	6,498	6,513	-	1,691	-
<u>\$ 596,828</u>	<u>\$ 1,860</u>	<u>\$ 12,291</u>	<u>\$ 5,421</u>	<u>\$ 1,840</u>	<u>\$ 3,394</u>
\$ -	1,798	\$ 2,498	\$ 3,377	\$ 1,840	\$ 5
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
164,507	-	-	-	-	-
164,507	1,798	2,498	3,377	1,840	5
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
432,321	62	9,793	2,044	-	3,389
-	-	-	-	-	-
<u>432,321</u>	<u>62</u>	<u>9,793</u>	<u>2,044</u>	<u>-0-</u>	<u>3,389</u>
<u>\$ 596,828</u>	<u>\$ 1,860</u>	<u>\$ 12,291</u>	<u>\$ 5,421</u>	<u>\$ 1,840</u>	<u>\$ 3,394</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	F.I.A.	Special Child Care	Veterans Trust
ASSETS			
Cash and cash equivalents	\$ 34,292	\$ 140,774	\$ 933
Accounts receivable	-	133	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	241	-
Due from other funds	-	-	-
Due from other governmental units	33,528	8,408	-
TOTAL ASSETS	<u>\$ 67,820</u>	<u>\$ 149,556</u>	<u>\$ 933</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 48,764	\$ -
Accrued payroll	-	551	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	33,000	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	33,000	49,315	-0-
FUND BALANCES			
Reserved for			
Inventory and prepaids	-	241	-
Debt service	-	-	-
Unreserved			
Designated, reported in Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	34,820	100,000	933
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>34,820</u>	<u>100,241</u>	<u>933</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 67,820</u>	<u>\$ 149,556</u>	<u>\$ 933</u>

Revenue					
Maintenance of Effort	Parks and Recreation	Forester Park Water Fund	Sheriffs Commissary	Jail Maintenance	Senior Citizen Council on Aging
\$ 131,778	\$ 140,909	\$ 13,572	\$ 17,455	\$ 1,764	\$ 45,977
-	-	-	3,301	-	-
258,061	261,868	-	-	-	258,085
-	-	-	-	-	-
-	1,957	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 389,839</u>	<u>\$ 404,734</u>	<u>\$ 13,572</u>	<u>\$ 20,756</u>	<u>\$ 1,764</u>	<u>\$ 304,062</u>
\$ 30,809	\$ 16,508	\$ 18	\$ 4,800	\$ -	\$ 15,000
-	2,759	-	-	-	-
-	684	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
275,282	279,336	-	-	-	275,306
306,091	299,287	18	4,800	-0-	290,306
-	1,957	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
83,748	103,490	13,554	15,956	1,764	13,756
-	-	-	-	-	-
83,748	105,447	13,554	15,956	1,764	13,756
<u>\$ 389,839</u>	<u>\$ 404,734</u>	<u>\$ 13,572</u>	<u>\$ 20,756</u>	<u>\$ 1,764</u>	<u>\$ 304,062</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	Special Revenue Brownfield Redvelopment	Capital Project Equipment	Debt Service Medical Care Facility
ASSETS			
Cash and cash equivalents	\$ 45,879	\$ 56,425	\$ 19,136
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	-	-
Due from other funds	-	-	-
Due from other governmental units	23,411	-	-
TOTAL ASSETS	<u>\$ 69,290</u>	<u>\$ 56,425</u>	<u>\$ 19,136</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	-	\$ -	\$ -
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for			
Inventory and prepaids	-	-	-
Debt service	41,934	-	19,136
Unreserved			
Designated, reported in Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	27,356	-	-
Capital projects funds	-	56,425	-
TOTAL FUND BALANCES	<u>69,290</u>	<u>56,425</u>	<u>19,136</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 69,290</u>	<u>\$ 56,425</u>	<u>\$ 19,136</u>

Health Department	Debt Service Jail Building Fund	Building Authority	Total Non-major Gov. Funds
\$ 131,069	\$ 3	\$ 1,529	\$ 1,699,880
-	-	-	86,721
-	-	-	1,451,139
-	-	-	164,507
-	-	-	8,269
-	-	-	425
-	-	-	338,050
<u>\$ 131,069</u>	<u>\$ 3</u>	<u>\$ 1,529</u>	<u>\$ 3,748,991</u>
\$ -	\$ -	\$ -	\$ 134,855
-	-	-	30,230
-	-	-	684
-	-	-	1,635
-	-	-	33,000
-	-	-	1,712,152
-0-	-0-	-0-	1,912,556
-	-	-	8,269
131,069	3	1,529	193,671
-	-	-	196,571
-	-	-	1,381,499
-	-	-	56,425
<u>131,069</u>	<u>3</u>	<u>1,529</u>	<u>1,836,435</u>
<u>\$ 131,069</u>	<u>\$ 3</u>	<u>\$ 1,529</u>	<u>\$ 3,748,991</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	Special		
	County Ambulance	County Services Reserve Fund	Friend of the Court
REVENUES			
Taxes	\$ 245,462	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	367,845
Charges for services	-	-	53,154
Fines and forfeits	-	-	-
Interest and rents	5,761	-	-
Other	-	-	-
TOTAL REVENUES	251,223	-	420,999
EXPENDITURES			
Current			
Judicial	-	-	502,986
Public safety	-	-	-
Public works	-	-	-
Health and welfare	250,003	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	250,003	-0-	502,986
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,220	-	(81,987)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	94,289
Operating transfers out	-	-	(6,952)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-	87,337
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,220	-	5,350
Fund balances, beginning of year	366	131,828	4,451
Fund balances, end of year	\$ 1,586	\$ 131,828	\$ 9,801

Revenue				
Family Counseling	Central Dispatch	Homestead Property Tax	Soil Erosion/ Sedimentation	Environmental Trust
\$ -	\$ -	\$ -	\$ -	\$ -
4,170	-	-	20,835	-
-	-	-	-	-
-	336,798	-	-	126,089
-	-	-	-	-
-	8,178	6	-	-
-	6,150	-	-	-
4,170	351,126	6	20,835	126,089
728	-	-	-	-
-	559,771	-	-	-
-	-	-	16,804	32,466
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
728	559,771	-0-	16,804	32,466
3,442	(208,645)	6	4,031	93,623
-	221,956	-	-	-
-	(18,474)	-	(5,130)	(68,000)
-0-	203,482	-0-	(5,130)	(68,000)
3,442	(5,163)	6	(1,099)	25,623
28,157	200,484	170	5,130	30,794
\$ 31,599	\$ 195,321	\$ 176	\$ 4,031	\$ 56,417

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special		
	Solid Waste Grant	Material Recovery	Sanilac Transportation
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	4,600	492,371
Charges for services	-	57,235	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	-0-	61,835	492,371
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	-	-	-
Public works	125	-	-
Health and welfare	-	85,120	492,371
Recreation and cultural	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	125	85,120	492,371
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(125)	(23,285)	-0-
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	(180)	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(180)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(125)	(23,465)	-
Fund balances, beginning of year	3,683	41,804	-
Fund balances, end of year	\$ 3,558	\$ 18,339	\$ -0-

Revenue

Public Communications	Hunter's Safety	Public Improvement	Reg. of Deeds- Automation	Veterans Millage
\$ -	\$ -	\$ -	\$ -	\$ 153,620
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	3,163	2,881
-	-	-	-	120
-	-0-	-0-	3,163	156,621
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	148,961
-	-	-	-	-
-	-	-	3,984	-
-0-	-0-	-0-	3,984	148,961
-	-	-0-	(821)	7,660
-	-	-	60,866	1,000
-	-	-	(22,454)	(2,721)
-0-	-0-	-0-	38,412	(1,721)
-	-	-	37,591	5,939
562	3,008	1	48,492	5,103
\$ 562	\$ 3,008	\$ 1	\$ 86,083	\$ 11,042

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special		
	Law Enforcement	C.O.P.S. Grant	Local Corrections Training
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	34,999	-
Charges for services	-	-	12,546
Fines and forfeits	-	-	-
Interest and rents	118	-	-
Other	-	-	405
TOTAL REVENUES	118	34,999	12,951
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	-	63,983	15,300
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Capital outlay	3,067	-	-
TOTAL EXPENDITURES	3,067	63,983	15,300
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,949)	(28,984)	(2,349)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	14,200	-
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	14,200	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,949)	(14,784)	(2,349)
Fund balances, beginning of year	2,964	19,189	5,517
Fund balances, end of year	\$ 15	\$ 4,405	\$ 3,168

Revenue

Drug Law Enforcement	Secondary Road Patrol	Contractual Patrol	U.S. Marshall	Law Library	County Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 240,953
-	-	-	-	-	-
-	153,929	104,153	211,794	-	-
-	-	-	-	-	-
2,627	-	-	-	5,055	4,154
6,016	-	-	-	-	-
13,771	-	-	-	-	-
22,414	153,929	104,153	211,794	5,055	245,107
-	-	-	-	15,842	-
-	160,477	100,172	168,904	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	243,034
-	-	-	-	-	-
-0-	160,477	100,172	168,904	15,842	243,034
22,414	(6,548)	3,981	42,890	(10,787)	2,073
-	7,611	-	-	17,500	-
(40,227)	-	-	-	-	-
(40,227)	7,611	-0-	-0-	17,500	-0-
(17,813)	1,063	3,981	42,890	6,713	2,073
106,902	1,825	818	24,055	116	723
\$ 89,089	\$ 2,888	\$ 4,799	\$ 66,945	\$ 6,829	\$ 2,796

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special		
	Crime Victims Rights	Remonumentation Program	Byrne Memorial
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	55,525	94,827	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	55,525	94,827	-0-
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	48,962	-	-
Public works	-	-	-
Health and welfare	-	88,479	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	48,962	88,479	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,563	6,348	-0-
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(5,156)	(6,348)	-
TOTAL OTHER FINANCING SOURCES (USES)	(5,156)	(6,348)	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,407	-0-	-
Fund balances, beginning of year	605	-	4,857
Fund balances, end of year	\$ 2,012	\$ -0-	\$ 4,857

Revenue

Revolving Loan	Great Parents Great Start	Strong Families Project	Children's Trust	Michigan Justice Training	Child Care Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	32,220	37,296	84,888	8,109	3,984
-	-	-	-	-	-
-	-	-	-	-	-
27,527	-	-	-	-	-
104,521	-	-	-	-	-
132,048	32,220	37,296	84,888	8,109	3,984
-	-	-	-	16,296	-
-	-	-	-	-	-
-	-	-	-	-	-
195,107	32,302	37,011	88,899	-	2,515
-	-	-	-	-	-
-	-	-	-	-	-
195,107	32,302	37,011	88,899	16,296	2,515
(63,059)	(82)	285	(4,011)	(8,187)	1,469
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
(63,059)	(82)	285	(4,011)	(8,187)	1,469
495,380	144	9,508	6,055	8,187	1,920
\$ 432,321	\$ 62	\$ 9,793	\$ 2,044	\$ -0-	\$ 3,389

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special		
	F.I.A.	Child Care	Veterans Trust
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	340,057	52,110	10,780
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	33,520	40,024	-
TOTAL REVENUES	373,577	92,134	10,780
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	443,633	633,254	9,182
Recreation and cultural	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	443,633	633,254	9,182
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(70,056)	(541,120)	1,598
OTHER FINANCING SOURCES (USES)			
Operating transfers in	68,033	547,099	-
Operating transfers out	-	-	(1,000)
TOTAL OTHER FINANCING SOURCES (USES)	68,033	547,099	(1,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,023)	5,979	598
Fund balances, beginning of year	36,843	94,262	335
Fund balances, end of year	\$ 34,820	\$ 100,241	\$ 933

Revenue

Maintenance of Effort	Parks and Recreation	Forester Park Water Fund	Sheriffs Commissary	Jail Maintenance	Senior Citizen Council on Aging
\$ 245,884	\$ 240,214	\$ -	\$ -	\$ -	\$ 245,896
-	-	-	-	-	-
-	-	-	-	-	-
-	259,695	4,250	223,893	-	-
-	-	-	-	-	-
7,843	7,802	-	131	-	4,072
-	5,843	-	1,967	-	-
253,727	513,554	4,250	225,991	-0-	249,968
-	-	-	-	-	-
-	-	-	150,368	-	-
-	-	-	-	-	-
179,982	-	-	-	-	255,507
-	411,821	4,855	-	-	-
-	21,676	-	1,037	-	-
179,982	433,497	4,855	151,405	-0-	255,507
73,745	80,057	(605)	74,586	-0-	(5,539)
-	-	-	-	-	-
(50,000)	-	-	(83,447)	-	-
(50,000)	-0-	-0-	(83,447)	-0-	-0-
23,745	80,057	(605)	(8,861)	-0-	(5,539)
60,003	25,390	14,159	24,817	1,764	19,295
\$ 83,748	\$ 105,447	\$ 13,554	\$ 15,956	\$ 1,764	\$ 13,756

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2006

	Special Revenue	Capital Project	Debt Service
	Brownfield Redevelopment	Equipment	Medical Care Facility
REVENUES			
Taxes	\$ 23,800	\$ -	\$ -
Licenses and permits	1,230	-	-
Intergovernmental	52,899	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	751	-	100,801
Other	-	-	-
TOTAL REVENUES	78,680	-0-	100,801
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	18,236	-
Debt Service			
Principal redemption	9,390	-	44,999
Interest and fiscal charges	-	-	55,208
TOTAL EXPENDITURES	9,390	18,236	100,207
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	69,290	(18,236)	594
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	50,000	-
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	50,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	69,290	31,764	594
Fund balances, beginning of year	-	24,661	18,542
Fund balances, end of year	\$ 69,290	\$ 56,425	\$ 19,136

Debt Service			Total Non-major Governmental Funds
Health Department	Jail Building Fund	Building Authority	
\$ -	\$ -	\$ -	\$ 1,395,829
-	-	-	26,235
-	-	-	2,142,386
-	-	-	1,073,660
-	-	-	11,836
138,936	-	-	313,986
-	-	-	206,321
138,936	-	-	5,170,253
-	-	-	535,852
-	-	-	1,267,937
-	-	-	49,395
-	-	-	2,942,326
-	-	-	659,710
7,616	-	-	55,616
95,000	75,000	-	224,389
37,363	36,250	-	128,821
139,979	111,250	-	5,864,046
(1,043)	(111,250)	-	(693,793)
-	111,250	-	1,193,804
-	-	-	(310,089)
-0-	111,250	-0-	883,715
(1,043)	-	-	189,922
132,112	3	1,529	1,646,513
\$ 131,069	\$ 3	\$ 1,529	\$ 1,836,435

Sanilac County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2006

	Delinquent Tax 2002	Delinquent Tax 2003	Delinquent Tax 2004
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ -	\$ 488,931
Taxes receivable - delinquent	-	-	155,313
Due from other funds	-	-	92
Due from other governmental units	-	-	19,597
TOTAL ASSETS	<u>-</u>	<u>-</u>	<u>663,933</u>
LIABILITIES			
Current liabilities			
Due to other funds	-	-	2,074
Due to other governmental units	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>2,074</u>
NET ASSETS			
Unrestricted	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 661,859</u>

See accompanying notes to financial statements.

Delinquent Tax 2006	Tax Administrative	Tax Foreclosure Proceeds	Total
\$ 101,981	\$ 92,078	\$ 716,772	\$ 1,399,762
170,127	-	-	325,440
-	-	-	92
-	-	-	19,597
<u>272,108</u>	<u>92,078</u>	<u>716,772</u>	<u>1,744,891</u>
265,319	-	140,303	407,696
41	-	-	41
<u>265,360</u>	<u>-0-</u>	<u>140,303</u>	<u>407,737</u>
<u>\$ 6,748</u>	<u>\$ 92,078</u>	<u>\$ 576,469</u>	<u>\$ 1,337,154</u>

Sanilac County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2006

	Delinquent Tax 2002	Delinquent Tax 2003	Delinquent Tax 2004
OPERATING REVENUES			
Interest on taxes	\$ -	\$ 36,510	\$ 157,654
Sales	-	15,154	-
Administrative fees	-	30,518	115,327
Other	-	122	-
TOTAL OPERATING REVENUES	-	82,304	272,981
OPERATING EXPENSES			
Salaries	-	-	-
Fringe benefits	-	-	-
Supplies	-	-	7,114
Other	-	3,477	18,677
TOTAL OPERATING EXPENSES	-	3,477	25,791
OPERATING INCOME (LOSS)	-	78,827	247,190
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	-	19,308	9,521
Interest expense	-	(564)	(959)
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	18,744	8,562
INCOME (LOSS) BEFORE TRANSFERS IN (OUT)	-	97,571	255,752
TRANSFERS IN (OUT)			
Operating transfers in	-	-	-
Operating transfers out	-	(695,351)	-
TOTAL TRANSFERS IN (OUT)	-	(695,351)	-
CHANGE IN NET ASSETS	-	(597,780)	255,752
Net assets, beginning of year	-	597,780	406,107
Net assets, end of year	\$ -0-	\$ -0-	\$ 661,859

See accompanying notes to financial statements.

Delinquent Tax 2006	Tax Administrative	Tax Foreclosure Proceeds	Total
\$ 2,486	\$ -	\$ 27,515	\$ 224,165
-	-	-	15,154
3,728	-	475	150,048
-	-	-	122
6,214	-0-	27,990	389,489
-	-	187	187
-	-	46	46
-	947	954	9,015
-	37	1,571	23,762
-0-	984	2,758	33,010
6,214	(984)	25,232	356,479
534	4,384	-	33,747
-	-	-	(1,523)
534	4,384	-	32,224
6,748	3,400	25,232	388,703
-	-	91,037	91,037
-	(6,505)	(149,185)	(851,041)
-	(6,505)	(58,148)	(760,004)
6,748	(3,105)	(32,916)	(371,301)
-	95,183	609,385	1,708,455
\$ 6,748	\$ 92,078	\$ 576,469	\$ 1,337,154

Sanilac County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Delinquent Tax 2002	Delinquent Tax 2003	Delinquent Tax 2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 20	\$ 203,271	\$ 1,174,448
Cash paid to suppliers	(854,837)	(5,503)	(773,625)
Cash paid to employees	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	(854,817)	197,768	400,823
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Interest expense	-	(564)	(959)
Transfers to other funds	-	(695,351)	-
Transfers from other funds	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-	(695,915)	(959)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	-	19,308	9,521
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(854,817)	(478,839)	409,385
Cash and cash equivalents, beginning of year	854,817	478,839	79,546
Cash and cash equivalents, end of year	\$ -	\$ -	\$ 488,931
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ -	\$ 78,827	\$ 247,190
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) Decrease in receivables	20	120,967	901,467
Increase (decrease) in due to government units	(854,837)	(2,026)	(58)
Increase (decrease) in accrued liabilities	-	-	(747,776)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (854,817)	\$ 197,768	\$ 400,823

Delinquent Tax 2006	Tax Administrative	Tax Foreclosure Proceeds	Total
\$ (163,913)	\$ -	\$ 246,041	\$ 1,459,867
265,360	(984)	105,110	(1,264,479)
-	-	(187)	(187)
101,447	(984)	350,964	195,201
-	-	-	(1,523)
-	(6,505)	(149,185)	(851,041)
-	-	91,037	91,037
-	(6,505)	(58,148)	(761,527)
534	4,384	-	33,747
101,981	(3,105)	292,816	(532,579)
-	95,183	423,956	1,932,341
<u>\$ 101,981</u>	<u>\$ 92,078</u>	<u>\$ 716,772</u>	<u>\$ 1,399,762</u>
\$ 6,214	\$ (984)	\$ 25,232	\$ 356,479
(170,127)	-	218,051	1,070,378
-	-	107,681	(749,240)
265,360	-	-	(482,416)
<u>\$ 101,447</u>	<u>\$ (984)</u>	<u>\$ 350,964</u>	<u>\$ 195,201</u>

Sanilac County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

Year Ended December 31, 2006

	Buildings and Grounds	Central Stores	Data Processing	Mail Department
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,009	\$ 532	\$ 138,729	\$ 3,053
Accounts receivable	-	-	-	71
Due from other funds	-	-	100,285	2,075
Prepaid expenses	-	-	-	-
Inventory	-	4,833	1,760	2,353
Total current assets	5,009	5,365	240,774	7,552
Fixed assets				
Land	64,000	-	-	-
Buildings and improvements	141,733	-	-	-
Equipment	-	-	1,596,293	-
Vehicles	-	-	-	-
Less: accumulated depreciation	(64,196)	-	(1,467,496)	-
Net fixed assets	141,537	-0-	128,797	-0-
TOTAL ASSETS	\$ 146,546	\$ 5,365	\$ 369,571	\$ 7,552
LIABILITIES				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ 104,476	\$ -
Accrued payroll	-	-	-	-
Total current liabilities	-0-	-0-	104,476	-0-
Long-term liabilities				
Capital leases payable	-	-	-	-
Advances from other funds	-	-	-	-
Total long-term liabilities	-0-	-0-	-	-0-
TOTAL LIABILITIES	\$ -0-	\$ -0-	\$ 104,476	\$ -0-
NET ASSETS				
Invested in capital assets, net of related debt	\$ 141,537	\$ -	\$ 128,797	\$ -
Restricted for claims	-	-	-	-
Unrestricted	5,009	5,365	136,298	7,552
TOTAL NET ASSETS	\$ 146,546	\$ 5,365	\$ 265,095	\$ 7,552

Motor Pool	Police Vehicle & Equipment	Health Insurance	Accumulated Benefits	Worker's Compensation	Employee Health Care	Total
\$ 81,735	\$ 15,291	\$ 34,570	\$ 46,284	\$ 10,232	\$ 77,031	\$ 412,466
2,643	-	6,856	-	4,929	-	14,499
-	-	-	-	-	54,906	157,266
-	-	71,025	-	-	12,901	83,926
-	-	-	-	-	-	8,946
84,378	15,291	112,451	46,284	15,161	144,838	677,103
-	-	-	-	-	-	64,000
-	-	-	-	-	-	141,733
39,589	-	-	-	-	-	1,635,882
389,111	345,885	-	-	-	-	734,996
(354,623)	(162,673)	-	-	-	-	(2,048,988)
74,077	183,212	-0-	-0-	-0-	-0-	527,623
<u>\$ 158,455</u>	<u>\$ 198,503</u>	<u>\$ 112,451</u>	<u>\$ 46,284</u>	<u>\$ 15,161</u>	<u>\$ 144,838</u>	<u>\$ 1,204,726</u>
\$ 727	\$ 31	\$ 11,881	\$ -	\$ 3,470	\$ 1,657	\$ 122,242
49	-	-	20,381	-	-	20,430
776	31	11,881	20,381	3,470	1,657	142,672
49,018	80,199	-	-	-	-	129,217
-	-	-	-	-	6,717	6,717
49,018	80,199	-0-	-0-	-0-	6,717	135,934
<u>\$ 49,794</u>	<u>\$ 80,230</u>	<u>\$ 11,881</u>	<u>\$ 20,381</u>	<u>\$ 3,470</u>	<u>\$ 8,374</u>	<u>\$ 278,606</u>
\$ 25,059	\$ 103,013	\$ -	\$ -	\$ -	\$ -	\$ 398,406
-	-	-	2,321	-	-	2,321
83,602	15,260	100,570	23,582	11,691	136,464	525,393
<u>\$ 108,661</u>	<u>\$ 118,273</u>	<u>\$ 100,570</u>	<u>\$ 25,903</u>	<u>\$ 11,691</u>	<u>\$ 136,464</u>	<u>\$ 926,120</u>

Sanilac County, Michigan

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended December 31, 2006

	Buildings and Grounds	Central Stores	Data Processing	Mail Department
OPERATING REVENUES				
Charges for services	\$ -	\$ 12,196	\$ -	\$ 49,976
Reimbursements	-	44	9,531	-
Other revenue	-	-	-	-
TOTAL OPERATING REVENUES	-0-	12,240	9,531	49,976
OPERATING EXPENSES				
Salaries	-	-	-	-
Fringe benefits	-	-	-	-
Operating supplies	-	11,931	1,443	52,092
Contractual services	-	-	278,073	-
Depreciation	4,724	-	54,507	-
Other	-	-	452	-
TOTAL OPERATING EXPENSES	4,724	11,931	334,475	52,092
OPERATING INCOME (LOSS) BEFORE TRANSFERS	(4,724)	309	(324,944)	(2,116)
TRANSFERS IN (OUT)				
Transfers in	-	-	331,732	2,117
Transfers out	-	-	-	-
TOTAL TRANSFERS IN (OUT)	-0-	-0-	331,732	2,117
CHANGE IN NET ASSETS	(4,724)	309	6,788	1
Net assets, beginning of year	151,270	5,056	258,307	7,551
Net assets, end of year	\$ 146,546	\$ 5,365	\$ 265,095	\$ 7,552

Motor Pool	Police Vehicle & Equipment	Health Insurance	Accumulated Benefits	Worker's Compensation	Employee Healthcare	Total
\$ 180,495	\$ 1,250	\$ -	\$ -	\$ -	\$ -	\$ 243,917
36,979	-	89,824	-	56,038	41,813	234,229
815	1,000	-	-	-	13,337	15,152
218,289	2,250	89,824	-0-	56,038	55,150	493,298
2,590	-	-	-	-	-	2,590
748	-	1,317,112	142,274	162,237	243,467	1,865,838
147,413	-	-	-	-	-	212,879
11,140	605	-	-	-	-	289,818
31,365	65,058	-	-	-	-	155,654
31,295	3,362	10,498	-	-	-	45,607
224,551	69,025	1,327,610	142,274	162,237	243,467	2,572,386
(6,262)	(66,775)	(1,237,786)	(142,274)	(106,199)	(188,317)	(2,079,088)
6,952	58,352	1,127,630	59,918	85,664	245,916	1,918,281
-	-	-	-	-	-	-
6,952	58,352	1,127,630	59,918	85,664	245,916	1,918,281
690	(8,423)	(110,156)	(82,356)	(20,535)	57,599	(160,807)
107,971	126,696	210,726	108,259	32,226	78,865	1,086,927
<u>\$ 108,661</u>	<u>\$ 118,273</u>	<u>\$ 100,570</u>	<u>\$ 25,903</u>	<u>\$ 11,691</u>	<u>\$ 136,464</u>	<u>\$ 926,120</u>

Sanilac County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Building and Grounds	Central Stores	Data Processing	Mail Department
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from users	\$ -	\$ 12,240	\$ (90,754)	\$ 49,743
Cash paid to suppliers	-	(9,329)	(181,142)	(51,537)
Cash paid for employee benefits	-	-	-	-
Cash paid for employee wages	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-0-	2,911	(271,896)	(1,794)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	331,732	2,117
Transfers out	-	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-0-	-0-	331,732	2,117
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital lease proceeds	-	-	-	-
Payments on capital leases	-	-	(5,110)	-
Capital purchases	-	-	(73,120)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(78,230)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-0-	2,911	(18,394)	323
Cash and cash equivalents, beginning of year	5,009	(2,379)	157,123	2,730
Cash and cash equivalents, end of year	<u>\$ 5,009</u>	<u>\$ 532</u>	<u>\$ 138,729</u>	<u>\$ 3,053</u>
Reconciliation of operating (loss) to net cash (used) by operating activities				
Operating income (loss)	\$ (4,724)	\$ 309	\$ (324,944)	\$ (2,116)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities				
Depreciation	4,724	-	54,507	-
(Increase) Decrease in receivables	-	-	(100,285)	(233)
(Increase) Decrease in prepaids/inventory	-	2,602	232	560
Increase (Decrease) in accounts payable	-	-	98,594	(5)
Increase (Decrease) in accrued liabilities	-	-	-	-
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ -0-</u>	<u>\$ 2,911</u>	<u>\$ (271,896)</u>	<u>\$ (1,794)</u>

Motor Pool	Police Vehicle & Equipment	Health Insurance	Accumulated Benefits	Worker's Compensation	Employee Healthcare	Total
\$ 217,994	\$ 2,250	\$ 82,968	\$ -	\$ 51,109	\$ 32,821	\$ 358,371
(189,684)	(10,514)	(17,622)	-	1,228	(2,864)	(461,464)
(748)	-	(1,317,112)	(142,274)	(162,237)	(243,467)	(1,865,838)
(2,541)	-	-	20,381	-	6,717	24,557
25,021	(8,264)	(1,251,766)	(121,893)	(109,900)	(206,793)	(1,944,374)
6,952	58,352	1,127,630	59,918	85,664	245,916	1,918,281
-	-	-	-	-	-	-
6,952	58,352	1,127,630	59,918	85,664	245,916	1,918,281
52,682	82,374	-	-	-	-	135,056
(26,146)	(54,781)	-	-	-	-	(86,037)
(52,682)	(82,374)	-	-	-	-	(208,176)
(26,146)	(54,781)	-	-	-	-	(159,157)
5,827	(4,693)	(124,136)	(61,975)	(24,236)	39,123	(185,250)
75,908	19,984	158,706	108,259	34,468	37,908	597,716
<u>\$ 81,735</u>	<u>\$ 15,291</u>	<u>\$ 34,570</u>	<u>\$ 46,284</u>	<u>\$ 10,232</u>	<u>\$ 77,031</u>	<u>\$ 412,466</u>
\$ (6,262)	\$ (66,775)	\$ (1,237,786)	\$ (142,274)	\$ (106,199)	\$ (188,317)	\$ (2,079,088)
31,365	65,058	-	-	-	-	155,654
(295)	-	(6,856)	-	(4,929)	(22,329)	(134,927)
-	-	(5,443)	-	-	(2,382)	(4,431)
164	(6,547)	(1,681)	-	1,228	(482)	91,271
49	-	-	20,381	-	6,717	27,147
<u>\$ 25,021</u>	<u>\$ (8,264)</u>	<u>\$ (1,251,766)</u>	<u>\$ (121,893)</u>	<u>\$ (109,900)</u>	<u>\$ (206,793)</u>	<u>\$ (1,944,374)</u>

Sanilac County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2006

	Agency Funds			Total
	Trust and Agency	Library Fund (Penal Fines)	Circuit Court Orders	
ASSETS				
Cash and cash equivalents	\$ 185,124	\$ 97,096	\$ 3,928	\$ 286,148
Due from other funds	136,273	-	-	136,273
TOTAL ASSETS	\$ 321,397	\$ 97,096	\$ 3,928	\$ 422,421
LIABILITIES				
Undistributed collections	\$ 190,007	\$ -	\$ -	\$ 190,007
Due to other funds	27,791	-	-	27,791
Due to other governmental units	103,599	-	-	103,599
Due to individuals and agencies	-	97,096	3,928	101,024
TOTAL LIABILITIES	\$ 321,397	\$ 97,096	\$ 3,928	\$ 422,421

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2006

	Debt		
	Turtle Creek Const./Maint.	Turtle Creek	White Rock
ASSETS			
Cash and cash equivalents	\$ 68,533	\$ 55,459	\$ 6,014
Special assessments receivable	43,819	-	23,651
Due from other funds	-	-	-
Due from primary government	13,445	-	12,823
TOTAL ASSETS	\$ 125,797	\$ 55,459	\$ 42,488
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	12,730	-	5,454
Advances from primary government	-	-	-
Accounts payable	-	-	-
TOTAL LIABILITIES	12,730	-0-	5,454
FUND BALANCES			
Reserved for debt service	113,067	55,459	37,034
Unreserved			
Designated for capital expenditures	-	-	-
TOTAL FUND BALANCES	113,067	55,459	37,034
TOTAL LIABILITIES AND FUND BALANCES	\$ 125,797	\$ 55,459	\$ 42,488

	Service		Capital Project
Duff & Branches	Regular Drains	Stone Drain	Regular Drains
\$ 533,904	\$ 67,508	\$ 109,400	\$ 1,322,894
1,472,099	1,175,805	660,284	132,053
-	-	-	-
63,280	61,839	12,151	34,110
<u>\$ 2,069,283</u>	<u>\$ 1,305,152</u>	<u>\$ 781,835</u>	<u>\$ 1,489,057</u>
\$ -	\$ 9,000	\$ -	\$ 93,796
1,362,427	953,949	618,366	37,065
-	-	-	-
-	-	-	-
1,362,427	962,949	618,366	130,861
706,856	342,203	163,469	-
-	-	-	1,358,196
<u>706,856</u>	<u>342,203</u>	<u>163,469</u>	<u>1,358,196</u>
<u>\$ 2,069,283</u>	<u>\$ 1,305,152</u>	<u>\$ 781,835</u>	<u>\$ 1,489,057</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS - CONTINUED

December 31, 2006

	Capital		
	Revolving Drains	Maintenance Revolving	Elk Creek
ASSETS			
Cash and cash equivalents	\$ 28,743	\$ 148,516	\$ -
Special assessments receivable	-	-	-
Due from other funds	93,796	-	-
Due from primary government	-	-	-
TOTAL ASSETS	<u>\$ 122,539</u>	<u>\$ 148,516</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Advances from primary government	122,539	-	-
Accounts payable	-	62	-
TOTAL LIABILITIES	122,539	62	-0-
FUND BALANCES			
Reserved for debt service	-	-	-
Unreserved			
Designated for capital expenditures	-	148,454	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>148,454</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 122,539</u>	<u>\$ 148,516</u>	<u>\$ -0-</u>

Project			
Middle & Branches	Dwight & Brs Const/Maint	White Rock Const/Maint	Potts & Brs Const/Maint
\$ -	\$ -	\$ 51,432	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 51,432</u>	<u>\$ -0-</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
-	-	-	-
-	-	51,432	-
<u>-0-</u>	<u>-0-</u>	<u>51,432</u>	<u>-</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 51,432</u>	<u>\$ -0-</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS - CONTINUED

December 31, 2006

	Capital		
	Black River	Duff & Brs Const/Maint	E. Branch Speaker
ASSETS			
Cash and cash equivalents	\$ -	\$ 351,287	\$ -
Special assessments receivable	-	-	-
Due from other funds	-	9,000	-
Due from primary government	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 360,287</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Advances from primary government	-	-	-
Accounts payable	-	-	-
TOTAL LIABILITIES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCES			
Reserved for debt service	-	-	-
Unreserved			
Designated for capital expenditures	-	360,287	-
TOTAL FUND BALANCES	<u>-</u>	<u>360,287</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 360,287</u>	<u>\$ -0-</u>

<u>Project</u>	
<u>Stone Drain</u>	<u>Total</u>
\$ 34,508	\$ 2,778,198
-	3,507,711
-	102,796
-	197,648
<u>\$ 34,508</u>	<u>\$ 6,586,353</u>
\$ -	\$ 102,796
-	2,989,991
-	122,539
-	62
-0-	3,215,388
-	1,418,088
<u>34,508</u>	<u>1,952,877</u>
<u>34,508</u>	<u>3,370,965</u>
<u>\$ 34,508</u>	<u>\$ 6,586,353</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2006

Total fund balance - governmental funds \$ -

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	24,625,234	
Accumulated depreciation is	<u>(11,032,831)</u>	
Capital assets, net		13,592,403

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue	2,989,991
------------------	-----------

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds, notes and loans payable	<u>(3,259,978)</u>
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Net assets of governmental activities \$ 13,322,416

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2006

	Debt		
	Turtle Creek Const./Maint.	Turtle Creek	White Rock
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Special assessments	56,282	-	51,644
Interest	4,151	2,515	2,337
Other	-	-	-
TOTAL REVENUES	60,433	2,515	53,981
EXPENDITURES			
Capital outlay	-	5,802	-
Debt service			
Principal redemption	56,000	-	51,000
Interest and fees	4,305	-	5,340
TOTAL EXPENDITURES	60,305	5,802	56,340
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	128	(3,287)	(2,359)
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	-
Operating transfers in	-	-	16,864
Operating transfers out	-	(1,011)	(16,864)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(1,011)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	128	(4,298)	(2,359)
Fund balances, beginning of year	112,939	59,757	39,393
Fund balances, end of year	\$ 113,067	\$ 55,459	\$ 37,034

Service			Capital Project
Duff & Branches	Regular Drains	Stone Drain	Regular Drains
\$ -	\$ 20,694	\$ -	\$ -
-	12,242	-	16,534
160,768	295,201	74,249	156,580
66,028	46,535	24,346	57,365
-	-	-	-
226,796	374,672	98,595	230,479
66	-	-	432,030
160,002	270,631	60,000	-
68,500	44,328	25,538	7,936
228,568	314,959	85,538	439,966
(1,772)	59,713	13,057	(209,487)
-	-	-	120,500
-	20,803	-	917,315
-	(109,982)	-	(84,717)
-0-	(89,179)	-0-	953,098
(1,772)	(29,466)	13,057	743,611
708,628	371,669	150,412	614,585
<u>\$ 706,856</u>	<u>\$ 342,203</u>	<u>\$ 163,469</u>	<u>\$ 1,358,196</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS - CONTINUED

Year Ended December 31, 2006

	Capital		
	Revolving Drains	Maintenance Revolving	Elk Creek
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	14,857	-
Special assessments	-	-	-
Interest	-	5,555	2,124
Other	-	-	11,115
TOTAL REVENUES	-0-	20,412	13,239
EXPENDITURES			
Capital outlay	-	34,803	-
Debt service			
Principal redemption	-	-	-
Interest and fees	-	-	-
TOTAL EXPENDITURES	-0-	34,803	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(14,391)	13,239
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	-
Operating transfers in	-	111,229	-
Operating transfers out	-	(65,152)	(116,852)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	46,077	(116,852)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	-0-	31,686	(103,613)
Fund balances, beginning of year	-	116,768	103,613
Fund balances, end of year	\$ -0-	\$ 148,454	\$ -0-

Project			
Middle & Branches	Dwight & Brs Const/Maint	White Rock Const/Maint	Potts & Brs Const/Maint
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
1,461	1,377	1,950	1,395
-	-	-	-
1,461	1,377	1,950	1,395
2,201	-	-	-
-	-	-	-
-	-	-	-
2,201	-0-	-0-	-0-
(740)	1,377	1,950	1,395
-	-	-	-
-	-	16,864	-
(71,924)	(75,930)	(17,015)	(111,667)
(71,924)	(75,930)	(151)	(111,667)
(72,664)	(74,553)	1,799	(110,272)
72,664	74,553	49,633	110,272
\$ -0-	\$ -0-	\$ 51,432	\$ -0-

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS - CONTINUED

Year Ended December 31, 2006

	Capital		
	Black River	Duff & Brs Const/Maint	E. Branch Speaker
REVENUES			
Intergovernmental	\$ -	\$ 6,500	\$ -
Charges for services	-	-	-
Special assessments	-	-	-
Interest	9,224	15,285	1,142
Other	-	-	-
TOTAL REVENUES	9,224	21,785	1,142
EXPENDITURES			
Capital outlay	198	5,934	330
Debt service			
Principal redemption	-	-	-
Interest and fees	-	-	-
TOTAL EXPENDITURES	198	5,934	330
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9,026	15,851	812
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(340,380)	(2,198)	(111,742)
TOTAL OTHER FINANCING SOURCES (USES)	(340,380)	(2,198)	(111,742)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(331,354)	13,653	(110,930)
Fund balances, beginning of year	331,354	346,634	110,930
Fund balances, end of year	\$ -0-	\$ 360,287	\$ -0-

<u>Project</u>	
<u>Stone Drain</u>	<u>Total</u>
\$ -	\$ 27,194
-	43,633
-	794,724
1,564	244,354
-	11,115
<hr/>	
1,564	1,121,020
3,882	485,246
-	597,633
-	155,947
<hr/>	
3,882	1,238,826
<hr/>	
(2,318)	(117,806)
-	120,500
-	1,083,075
(522)	(1,125,956)
<hr/>	
(522)	77,619
<hr/>	
(2,840)	(40,187)
37,348	3,411,152
<hr/>	
\$ 34,508	\$ 3,370,965
<hr/>	

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2006

Net change in fund balances - total governmental funds **\$ -**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	504,621	
Depreciation expense	<u>(821,041)</u>	
Excess of depreciation expense over capital outlay		(316,420)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Increase in deferred revenue	704,224
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	-	
Bond and note principal retirement	<u>-</u>	
		<u>-</u>

Change in net assets of governmental activities **\$ 387,804**

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2006

	Debt Service			
	Brown City Water Tower	Carsonville Water	Worth Phase II Water System	Carsonville Arsenic
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 1,365	\$ -
Due from other governmental units	-	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,365</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Fund balances				
Reserved for debt service	-	-	1,365	-
Unreserved				
Designated for capital expenditures	-	-	-	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>1,365</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,365</u>	<u>\$ -0-</u>

<u>Debt Service</u>	<u>Capital Project</u>		
<u>Lex. Worth Water Project</u>	<u>Brown City Water Tower</u>	<u>Carsonville Water</u>	<u>Worth Phase II Water System</u>
\$ 169	\$ 12,883	\$ 1	\$ 5,670
-	-	-	-
<u>\$ 169</u>	<u>\$ 12,883</u>	<u>\$ 1</u>	<u>\$ 5,670</u>
\$ -	\$ -	\$ -	\$ -
169	-	-	-
-	12,883	1	5,670
<u>169</u>	<u>12,883</u>	<u>1</u>	<u>5,670</u>
<u>\$ 169</u>	<u>\$ 12,883</u>	<u>\$ 1</u>	<u>\$ 5,670</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2006

	<u>Capital Project</u>		
	<u>Carsonville Arsenic</u>	<u>Sanilac Township Water</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 20,088
Due from other governmental units	-	570,861	570,861
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 570,861</u>	<u>\$ 590,949</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ -	\$ 570,861	\$ 570,861
FUND BALANCES			
Fund balances			
Reserved for debt service	-	-	1,534
Unreserved			
Designated for capital expenditures	-	-	18,554
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>20,088</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 570,861</u>	<u>\$ 590,949</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

December 31, 2006

Total fund balance - governmental funds	\$	-
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds.
Long-term receivables at year-end consist of:

Lease receivable	15,436,113
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Water system bond obligations	<u>(15,436,113)</u>
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Net assets of governmental activities	\$	-
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Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2006

	Debt Service			
	Brown City Water Tower	Carsonville Water	Worth Phase II Water System	Carsonville Arsenic
REVENUES				
Intergovernmental	\$ 24,630	\$ 46,834	\$ 879,872	\$ 8,484
Interest	-	-	-	-
TOTAL REVENUES	24,630	46,834	879,872	8,484
EXPENDITURES				
Other	-	-	-	-
Debt service				
Principal Redemption	20,000	25,000	475,000	-
Interest and fiscal charges	4,630	21,834	404,872	8,484
Capital Outlay				
Construction	-	-	-	-
TOTAL EXPENDITURES	24,630	46,834	879,872	8,484
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-	-0-
OTHER FINANCING SOURCES				
Proceeds of loan	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-	-0-
Fund balances, beginning of year	-	-	1,365	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ 1,365	\$ -0-

Capital Project

Lex, Worth Water Project	Brown City Water Tower	Carsonville Water	Worth Phase II Water System
\$ 83,251	\$ -	\$ -	\$ -
-	578	-	236
83,251	578	-0-	236
-	-	-	-
45,000	-	-	-
38,251	-	-	-
-	-	-	-
83,251	-0-	-0-	-0-
-0-	578	-0-	236
-	-	-	-
-0-	578	-0-	236
169	12,305	1	5,434
\$ 169	\$ 12,883	\$ 1	\$ 5,670

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2006

	Capital Project		
	Carsonville Arsenic	Sanilac Township Water	Total
REVENUES			
Intergovernmental	\$ -	\$ 6,005	\$ 1,049,076
Interest	-	-	814
TOTAL REVENUES	-0-	6,005	1,049,890
EXPENDITURES			
Other	333	-	333
Debt service			
Principal Redemption	-	-	565,000
Interest and fiscal charges	-	-	478,071
Capital Outlay			
Construction	402,078	6,666,947	7,069,025
TOTAL EXPENDITURES	402,411	6,666,947	8,112,429
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(402,411)	(6,660,942)	(7,062,539)
OTHER FINANCING SOURCES			
Proceeds of loan	402,411	6,660,942	7,063,353
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-0-	-0-	814
Fund balances, beginning of year	-	-	19,274
Fund balances, end of year	\$ -0-	\$ -0-	\$ 20,088

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2006

Net change in fund balances - total governmental funds \$ -

Amounts reported for governmental activities in the statement of activities are different because:

Construction of the water systems on behalf of the municipalities are reported as expenditures in the governmental funds, but these payments increases the lease receivable in the statement of net assets.

Payments made on the lease receivable is reported as revenue in governmental funds, but the payments reduces the lease receivable in the statement of net assets. In the current year, these amounts consist of:

Lease revenue	7,069,025	
Lease payments	<u>(565,000)</u>	6,504,025

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(7,069,025)	
Bond principal retirement	<u>565,000</u>	<u>(6,504,025)</u>

Change in net assets of governmental activities \$ -

Sanilac County, Michigan

Component Unit Funds

BALANCE SHEET - ROAD COMMISSION

December 31, 2006

ASSETS

Cash and cash equivalents	\$ 1,168,286
Accounts receivable	8,310
Due from other governmental units	
State of Michigan	896,758
Local	35,460
Prepaid expenditures	30,116
Inventory	<u>297,310</u>
TOTAL ASSETS	<u>\$ 2,436,240</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 126,546
Accrued liabilities	55,572
Due to other governmental units	
State of Michigan	17
Local	5,742
Performance bond payable	5,000
Advances from other governmental units	
State of Michigan	<u>189,957</u>
TOTAL LIABILITIES	382,834

FUND BALANCES

Fund balances	
Reserved for inventory	297,310
Reserved for prepaids	30,116
Unreserved - undesignated	<u>1,725,980</u>
TOTAL FUND BALANCE	<u>2,053,406</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,436,240</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - ROAD COMMISSION

December 31, 2006

Total fund balance - governmental fund **\$ 2,053,406**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	74,033,371	
Accumulated depreciation is	<u>(28,595,970)</u>	
Capital assets, net		45,437,401

Long-term liabilities are not due and payable in the current period and therefore
are not reported in the governmental fund balance sheet. Long-term
liabilities are year end consist of:

Leases payable	(394,037)	
Accrued interest payable	(1,448)	
Compensated absences	<u>(390,558)</u>	<u>(786,043)</u>

Net assets of governmental activities **\$ 46,704,764**

Sanilac County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ROAD COMMISSION

Year Ended December 31, 2006

REVENUES

Taxes	\$ 1,832,223
Licenses and permits	30,785
Intergovernmental	7,239,634
Charges for services	1,180,730
Interest and rents	79,846
Other	2,601

TOTAL REVENUES	10,365,819
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EXPENDITURES

Current	
Primary Road	3,865,270
Local Road	4,897,370
State Truckline	1,211,735
Equipment - net	367,480
Administrative - net	341,856
Capital outlay	(201,959)
Debt service	44,176
Other	15,561

TOTAL EXPENDITURES	10,541,489
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EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(175,670)
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OTHER FINANCING SOURCES

Capital leases	267,102
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EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	91,432
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Fund balances, beginning of year	1,961,974
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Fund balances, end of year	\$ 2,053,406
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Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - ROAD COMMISSION

Year Ended December 31, 2006

Net change in fund balance - governmental fund \$ 91,432

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	4,096,880	
Depreciation expense	(728,605)	
Infrastructure depreciation	<u>(2,659,267)</u>	
Excess of capital outlay over depreciation expense		709,008

In the statement of activities, only the gain or loss on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold. (7,268)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures in the governmental fund, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Lease proceeds	(267,102)	
Capital lease payments	<u>37,609</u>	(229,493)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

Decrease in accrued interest payable	(912)	
Decrease in accrued compensated absences	<u>106,556</u>	
		<u>105,644</u>

Change in net assets of governmental activities \$ 669,323

Sanilac County, Michigan

Component Unit Funds

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2006

	<u>Total</u>
ASSETS	
Cash and cash equivalents	\$ 39,666
Due from other governmental units	<u>67,755</u>
TOTAL ASSETS	<u>\$ 107,421</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Line of credit	\$ 191,300
Deferred revenue	<u>36,452</u>
TOTAL LIABILITIES	227,752
FUND BALANCES	
Fund balances	
Unreserved - undesignated	<u>(120,331)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 107,421</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2006

Total fund balance - governmental fund	\$ (120,331)
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Amounts reported for governmental activities in the statement of activities are not different.	<u>-</u>
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Net assets of governmental activities	<u>\$ (120,331)</u>
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Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2006

	<u>Total</u>
REVENUES	
Taxes	\$ 12,574
Intergovernmental	218,489
Charges for services	10,761
Interest	5,894
Other	<u>95,136</u>
TOTAL REVENUES	342,854
EXPENDITURES	
Health and welfare	<u>664,991</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(322,137)
Fund balances, beginning of year	116,938
Prior Period Adjustment	<u>84,868</u>
Fund balances, end of year	<u><u>\$ (120,331)</u></u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2006

Net change in fund balance - governmental fund	\$ (322,137)
Amounts reported for governmental activities in the statement of activities are not different.	<u>-</u>
Change in net assets of governmental activities	<u>\$ (322,137)</u>

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Sanilac County
Sandusky, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sanilac County, Michigan as of and for the year ended December 31, 2006, and have issued our report thereon dated June 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanilac County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

2006-1 BANK RECONCILIATIONS FOR THE INMATE TRUST ACCOUNT

Condition: The Sheriff department's inmate trust account does not reconcile to county records.

Criteria: These errors were detected but were not corrected due to there being no qualified personnel present in the Sheriff department to complete the bank reconciliation. There also appears to have been issues with the old accounting software the department used, which was replaced during the audited period. While the new software has successfully reconciled the new balances in the account, old balances continue to keep the account from balancing to County records.

2006-1 BANK RECONCILIATIONS FOR THE INMATE TRUST ACCOUNT - CONTINUED

Effect: Support for the inmate trust's cash balances on the trial balance was not present for the audit period ending December 31, 2006. This account was not reconciled in last year's audit and was noted in the management letter to the Board of Commissioners, dated May 26, 2006.

Recommendation: We recommend the County review procedures in the areas where these errors were noted and take steps to ensure that there is no recurrence of similar issues.

Corrective Action Response: The Sheriff department is currently working to prepare a corrective action response related to this issue.

2006-2 BANK RECONCILIATIONS FOR THE HEALTH DEPARTMENT

Condition: The Health department County pooled cash and payables account balances did not reconcile to the general ledger. Upon further analysis working with the new Finance Director, we identified the most significant differences and made audit adjusting entries to correct the balances.

Criteria: All County departments should reconcile with the County's pooled cash account on a monthly basis.

Effect: By not reconciling the County's pooled cash to the Health department's general ledger, the Health department cannot know the exact amount of funds on hand with which they can provide services. This impairs the Health department's ability to provide the most efficient level of services and also creates an internal control weakness.

Recommendation: We recommend the Health department review procedures related to the reconciliation of cash balances to assure that all bank balances are reconciled to the general ledger on a monthly basis.

Corrective Action Response: The Health department is currently working to prepare a corrective action response related to this issue.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two (2) instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

2006-3 BUDGETS

Condition: As indicated in Note M of the notes to the financial statements, some of the activities and funds of the County exceeded the amounts appropriated. The variances noted were in the General and Health Department Funds.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the County adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The County has not maintained adequate control over budgetary compliance in accordance with State law in the certain funds where the overages occurred.

2006-3 BUDGETS - CONTINUED

Recommendation: We recommend the County monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: The Administration and Health departments are currently working to prepare corrective action responses related to this issue.

2006-4 FUND DEFICITS

Condition: As indicated in Note P of the notes to the financial statements, some of the funds of the County ended the year with unreserved fund deficits. Deficits were noted in the Health Department and Economic Development Corporation funds. Fund deficits were present in the County's December 31, 2005 audit and were noted in the management letter to the Board of Commissioners, which were both dated May 26, 2006.

Criteria: State law requires that no funds end the year in a deficit. If any deficits exist at year end, a deficit elimination plan must be created and filed with the State of Michigan Department of Treasury.

Effect: Due to economic conditions and/or services in excess of what can reasonably be provided given budgetary restrictions, the County has two (2) funds in deficit at year end.

Recommendation: We recommend the County review all funds near year end and make the appropriate adjustments when possible. The County should also closely monitor the operations of all fund activities that are in danger of ending the year in deficit.

Corrective Action Response: The Economic Development and Health departments are currently working to prepare corrective action responses related to this issue.

The County's responses to the findings identified in our audit are described above. We did not audit the County's responses and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management and the Board of Commissioners of Sanilac County in a separate letter dated June 28, 2007.

This report is intended solely for the information and use of management, the Board of Commissioners of Sanilac County, others within the County, the pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 28, 2007

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MANAGEMENT LETTER

To the Board of Commissioners
of Sanilac County
Sandusky, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Sanilac County, Michigan for the year ended December 31, 2006. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The County should ensure all public officials are treated as "employees" for payroll tax purposes.

During our analysis of the payroll function, it came to our attention that a public official (i.e., the Equalization director) is being paid as a contractual employee and not through the County's payroll system.

IRS Publication 963 defines the term public official as one who "performs a governmental duty exercised pursuant to a public law". The IRS publication also indicates that all public officials should be treated as employees for payroll tax purposes. We feel that the employee in question, as defined in Publication 963, would be considered a public official. As a result, a review by the IRS could result in the IRS finding that the County should have treated this individual as an employee.

We recommend the County consider treating this individual as an employee in the future.

2. The County should escheat all checks that have been outstanding for longer than two (2) years.

During our analysis of trust and agency cash in the Trust and Bond account, it was noted that fifteen (15) checks had been outstanding for greater than two (2) years and therefore should have been escheated to the State of Michigan.

The State of Michigan requires that all checks written from governmental entities in an amount greater than \$50 that have been outstanding in excess of one (1) year be flagged and that notices be sent to the payees via mail. Once this has been done and if there is still no response after one (1) additional year, the outstanding checks should be turned over to the State along with the funds for which the check was originally written.

We recommend the County follow State guidelines and contact all entities and individuals with checks that have been outstanding for greater than one (1) year and escheat all checks greater than two (2) years outstanding to the State.

3. The County should ensure that all personnel handling and reconciling department bank accounts are knowledgeable about bank reconciliation procedures.

During our departmental testing, we noted that Forester Park's reconciled cash account balance was \$100 lower than what was being reported on the County's records. After questioning, it was determined that the employee in charge of the Park's bank account did not know how to perform a bank reconciliation.

We recommend the County assure that all personnel in charge of department bank accounts are knowledgeable about reconciliation procedures and provide training as needed.

4. The County Health Department should assure that designated fund balances are appropriately reflected in the financial statements.

During our discussions with the new Finance Director, it was determined that the Department had received funds for certain programs (i.e., Strong Families/Safe Children, Safe Kids, etc.) where at year end certain funds were unspent but not reflected in the financial statements as designated fund balances. For the year ended September 30, 2006, these funds have properly been reflected as designated fund balances.

We suggest the County Health Department review procedures to assure that all program revenues and expenditures are properly reviewed and that any designated fund balances identified are properly reflected in the financial statements.

5. The County Health Department should review certain accounts receivable balances to assure that subsidiary records reconcile to the general ledger.

During our analysis and testing of the accounts receivable balances at year end, we noted that certain individual account balances per subsidiary records did not reconcile to the general ledger detail. We did note that the difference between the total accounts receivable balance per the subsidiary record and the general ledger balance was not significant.

We suggest the County Health Department review these accounts receivable balances to assure that subsidiary records reconcile to the general ledger.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements and this report does not affect our report on the basic financial statements dated June 28, 2007.

This report is intended solely for the use of management and the Board of Commissioners of Sanilac County and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 28, 2007